

## Our Vision

“We shall provide value to our global clients through innovative IT solutions of high-quality by rapidly deploying leading-edge technologies.”

“We would deliver consistently high-quality IT education in, and using, emerging technologies to individuals and Corporates, to attain leadership status.”

## Our Quality Policy

We, at SQL Star, shall constantly strive to achieve total customer satisfaction by providing services on time and consistently meeting customer expectations.

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# Notice

Notice is hereby given that the **17<sup>th</sup> Annual General Meeting** of the members of SQLSTAR INTERNATIONAL LIMITED will be held on Thursday, the 27<sup>th</sup> May, 2004 at 10.30 a.m. at Santosh Mohan Dev Auditorium, Bipin Chandra Pal Memorial Bhawan, A-81, Chitranjan Park, New Delhi-110 019 to transact the following business:

## ORDINARY BUSINESS:

### Adoption of Directors' Report and Annual Accounts

- To consider and adopt the Balance Sheet as at 31<sup>st</sup> December 2003, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.

### Appointment of Directors retiring by rotation

- To appoint a director in place of Dr. Kishore B. V. Buddhiraju, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a director in place of Mr. Yogesh Jain, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a director in place of Mr. Brij Kumar Tankha, who retires by rotation and being eligible, offers himself for re-appointment.

### Appointment of Auditors

- To appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the company and to fix their remuneration.

## SPECIAL BUSINESS:

### Appointment of Mr. Brij Kumar Tankha as Director - Special Projects

- To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION:

**"RESOLVED THAT** subject to the provisions of Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, read with schedule XIII of the Companies Act, 1956, approval of the shareholders be and is hereby accorded to the appointment of Mr. Brij Kumar Tankha, presently Whole-time Director to be designated as Director—Special Projects for a period of one year with effect from 01.04.2004, on the remuneration package payable to him by way of salary and perquisites etc. subject to limits, if any, specified in Section—II of Part—II of Schedule XIII of the Companies Act, 1956."

### Appointment of Dr. Ashok Kumar Agarwal as Advisor of the company:

- To consider and if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION:

**"RESOLVED THAT** subject to the compliance of the provisions of Section 314 and other applicable provision(s), if any, of the Companies Act, 1956 and such statutory approvals as required, Dr. Ashok Kumar Agarwal, Director be and is hereby appointed as advisor to the company on a monthly remuneration of Rs. 25,000/- for a period of one year with effect from October 1, 2003."

**"RESOLVED FURTHER THAT** the Company Secretary and/or General Manager—Finance be and are hereby severally authorised to file an application on behalf of the company with an appropriate authority for sanction and to do all such acts, deeds, matters and things as are necessary, proper or desirable to give effect to the above resolution."

By order of Board of Directors  
For **SQL STAR INTERNATIONAL LIMITED**

Place : New Delhi  
Date : April 26, 2004

**Arun Phasu**  
Company Secretary

## NOTES :

- The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the business under items 6 set out above is annexed hereto.
- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING PROXY, IN ORDER TO BE EFFECTIVE, SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME OF THE MEETING.
- The Register of Members and Transfer Books of the Company will remain closed from Monday the 17<sup>th</sup> May 2004 to Thursday the 27<sup>th</sup> May 2004, both days inclusive.
- All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the registered office of the company on all working days except Saturdays between 10:00 a.m. to 1:00 p.m. upto the date of the Annual General Meeting.
- Members seeking any information with regard to accounts of the company, are requested to send their queries so as to reach at least 10 days before the meeting, to enable the management to keep the information ready.
- Members are requested to inform the Company's Registrars and Share Transfer Agents viz., Karvy Consultants Limited, Unit : SQL Star International Limited, "Karvy House", 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034, before 15<sup>th</sup> May 2004 the changes, if any, in their registered addresses along with the Pin Code number quoting their folio number/ DP ID—Client ID and requests for share transfer may be sent directly to them. All other correspondences relating to shares may be addressed either to The Company Secretary, Corporate Office, A-38 B, Kailash Colony, New Delhi—110 048 or directly to Registrars & Transfer Agents.
- As per Section 109 A of the Companies Act, 1956, nomination facility is available to individual shareholder. Shareholders, in particular those holding shares in single name are requested to avail the facility of nomination by furnishing to the Registrars and Transfer Agents (RTA) of the company, the particulars of their nomination in the form enclosed at the end of this report. (RTA address is given in Note 6).
- Members are requested to fill-up and submit the ECS Information Form to the Registrars & Transfer Agents at the address given herein above.
- Members are requested to bring their copy of the Annual Report to the Meeting.
- Shareholders/ Proxy-holders are requested to produce at the entrance, the attached Attendance Slip duly completed and signed, for admission to the meeting hall.



**INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:**

As required under the Listing Agreement, the particulars of Directors proposed to be appointed/ re-appointed are given below:

1. **Name** : **Dr. Kishore B.V. Buddhiraju**  
 Age : 64 years  
 Qualification : Ph. D. In Operations Research (Wharton School, USA)  
 Expertise : Dr. Kishore B V Buddhiraju has over 30 years of experience in Computer Software development. He was earlier Professor of MIS and Operations Research at IIM Calcutta (6 yrs). He is currently Managing Director of SEEC Asia Technologies (P) Ltd., a subsidiary of SEEC Inc. USA., which is involved in software product development.  
  
 Member of the committee : Audit Committee  
 Remuneration Committee  
 Director of the Company since : 09.11.1989  
 Other Directorships : Era Software Systems Pvt. Ltd.  
 Era Electronics India Pvt. Ltd.  
 Small Industries Development Bank of India  
 ACS Technologies Limited  
 SEEC Technologies Asia Pvt. Ltd.
  
2. **Name** : **Mr. Yogesh Jain**  
 Age : 51 years  
 Qualification : C.A., C.S.  
 Expertise : He is a qualified Chartered Accountant and Company Secretary with more than 20 years of experience in dealing with various financial activities, taxation planning, having valuable contacts in industry and understanding of the financial markets in India, Stock Broking.  
  
 Member of the committee : None  
 Director of the Company since : 25.03.2002  
 Other Directorships : Arihant Automobiles Pvt. Ltd.  
 Anand Enterprises Pvt. Ltd.  
 B K Floriculture Pvt. Ltd.  
 Garima Enterprises Pvt. Ltd.  
 Gautam Credits Pvt. Ltd.  
 Gautam Properties (Delhi) Pvt. Ltd.  
 Gautam Leasing Pvt. Ltd.  
 Gautam Motors Pvt. Ltd.  
 Gautam Automobiles Pvt. Ltd.  
 Garima Shares Pvt. Ltd.  
 Garima Capital Pvt. Ltd.  
 Manu Estate Pvt. Ltd.  
 Mayur Investors & Consultants Pvt. Ltd.  
 Mayur Roadlines Pvt. Ltd.  
 Mohit Properties Pvt. Ltd.  
 Madhur Builders Pvt. Ltd.  
 N U Automobiles Pvt. Ltd.  
 New United Workshop Pvt. Ltd.  
 Rishabh Traders Pvt. Ltd.  
 Ridhima Properties Pvt. Ltd.  
 Rahul Properties Pvt. Ltd.  
 Rishabh Services Pvt. Ltd.  
 Rishabh Motors Pvt. Ltd.  
 Gautam Auto Pvt. Ltd.  
 Garima Showbiz Pvt. Ltd.  
 Arihant Motors  
 Gautam Auto  
 Gautam Motors  
 Gautam Automobiles  
 New United Service Station  
 Mukesh Jain & Co.
  
3. **Name** : **Mr. Brij Kumar Tankha**  
 Age : 61 years  
 Qualification : B.E. (BITS - Pilani), M.S. (Management Science in Finance and Marketing) (West Coast University), M.S. (Computer Science) (USC, USA)  
 Expertise : Mr. Brij K Tankha has over 30 years of experience in the 'IT' Industry. Some of the other previous responsibilities was Consultant to Xerox Corporation, USA (1.5 yrs), the Planning Commission of India (3.5 yrs), Project Advisor to State Trading Corporation (1.5 yrs), Director (M&P) and Finance Head in the Operations Flood programme in India (10 yrs). He co-promoted SQL Star and developed it into a competent organisation in software exports (10 yrs till date).  
  
 Member of the committee : Audit Committee, Investor Grievance Committee  
 Director of the Company since : 01.01.1991  
 Other Directorships : SQL Star International Inc., USA  
 International SQL Star Pte Ltd., Singapore
  
4. **Name** : **Dr. Ashok Kumar Agarwal**  
 Age : 60 years  
 Qualification : BE-Mechanical (BITS Pilani), M.S., Ph.D in Operations Research (University of Minnesota, USA)  
 Expertise : He has over 30 years of experience in IT industry. He founded SQL Star International as a promoter Director and was Managing Director of the company till September 2002. Prior to his current assignment, he had been with Bell Labs ; Visiting Faculty at Northeastern University , Boston, Ford Fellow at MIT and University of Minnesota, Professor of Management Information Systems at IIM. Calcutta during 1969 to 1986. He has extensive experience in Software Product Development Methodologies and has been responsible for the growth of SQL Star into a mature integrated educational and software services company.  
  
 Member of the committee : None  
 Director of the Company since : 09.11.1989  
 Other Directorships : Era Software Systems Pvt. Ltd.  
 ACS Technologies Limited  
 Cyber Media (India) Limited  
 SQL Star International Inc., USA  
 International SQL Star Pte. Ltd., Singapore  
 Reliance Cellulose Products Ltd.

# Annexure to the Notice

## EXPLANATORY STATEMENT

As required by Section 173(2) of the Companies Act 1956, the following Explanatory Statement sets out material facts relating to the business under items 6 and 7 of the accompanying Notice dated 26<sup>th</sup> April 2004.

### ITEM 6:

The Board noted that the present term of Mr. Brij Kumar Tankha, Director—Special Projects, was expiring on 31<sup>st</sup> March, 2004. Keeping in view the vast experience of Mr. Tankha, his association with the company since its inception and his push in the e-Governance projects in North India and Rajasthan, the Board of Directors in their meeting held on March 31, 2004 have decided to extend his term as Director—Special Projects, (DSP) for a further period of one year with effect from 1<sup>st</sup> April 2004. He will be responsible for negotiating major IT projects with the State and Central Governments, the implementation of which will be handled by appropriate groups in the company. Other terms and conditions of his appointment will remain unchanged. He will also be responsible for negotiating with Banks and Financial Institutions for mobilising resources for the company. He would be paid a remuneration package as set out below with effect from 1.4.2004 subject to limits, if any, prescribed in the Companies Act, 1956, and approval by the shareholders of the company in the Annual General Meeting:

Salary per month	:	Rs. 63,000/=
House Rent Allowance	:	@ 40% of Salary
Commission	:	1% of the net profit of the company as computed in the manner laid down in Section 309(5) of the Companies Act, 1956, subject to a maximum of Rs. 12 lacs per year payable annually.
Performance linked variable bonus	:	Subject to the approval of the Board of Directors on the basis of board's assessment of the performance payable after the adoption of the annual accounts by the shareholders (subject to a maximum of Rs. 12 Lacs).
Medical Reimbursement	:	For self and family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.
Leave Travel Concession	:	For self and family once in a year in accordance with the rules of the Company.
Personal Accidental Insurance	:	Of an amount, the annual premium of which does not exceed Rs. 15,000/=.
Club Fees	:	Fees, subject to maximum of two clubs will be allowed. This will not include admission and life membership fees.

In addition, he will be eligible for the following perquisites:

- Company's contribution towards Provident Fund as per rules of the Company but not exceeding 12% of the salary as laid down under the Income-Tax Rules, 1962.
- Company's contribution towards Superannuation Fund as per rules of the Company

- Gratuity—Not exceeding half month's salary for each completed year of service.
- Earned/Privilege Leave – As per rules of the Company. Leave accumulated but not availed of during the tenure may be allowed to be encashed at the end of the tenure.
- Free use of Company's Car with driver for the business of the Company.
- Free telephone facility at residence at Company's cost.

Provided further that in the event of inadequacy of profits in any financial year Mr. Brij Kumar Tankha, Director - Special Projects, the remuneration shall be governed by the limits prescribed under Section II of Part II of the Schedule XIII of the Companies Act, 1956.

Mr. Brij Kumar Tankha may be deemed to be interested in the proposed resolution to the extent of his remuneration as Director - Special Projects. No other Director of the Company has any interest or concern in the proposed resolution.

The resolution set out in the accompanying notice together with the explanation should be treated as an extract under Section 302 of the Companies Act, 1956.

The Directors recommend the proposed resolution for approval of the shareholders.

### ITEM 7:

Dr. Ashok Kumar Agarwal is one of the directors of the company. He held the position of Managing Director of the company from 1993 to 2002. Dr. Agarwal is a highly qualified professional with a Doctorate in Operations Research and has vast experience of IT Industry in India and abroad of over 30 years to his credit. The Board of Directors in their meeting held on 28<sup>th</sup> October 2003 had decided to utilise his expertise as advisor to the company for focusing on future directions, strategy, critical success factors and help in generating potential opportunities from time to time for the benefit and development of the company. Brief resume of Dr. Agarwal is as below:

Dr. Ashok K Agarwal did M.S. and Ph.D. in Operations Research from University of Minnesota and Mechanical Engineering from BITS Pilani. He has over 30 years of experience in IT industry. He founded SQL Star International as a promoter Director and was Managing Director of the company till September 2002. Prior to his current assignment, he had been with Bell Labs; Visiting Faculty at Northeastern University, Boston, Ford Fellow at MIT and University of Minnesota, Professor of Management Information Systems at IIM, Calcutta during 1969 to 1986. He has extensive experience in Software Product Development Methodologies and has been responsible for the growth of SQL Star into a mature integrated educational and software services company.

The directors recommend the resolution for approval of the Shareholders.

None of the directors of the company other than Dr. Ashok Kumar Agarwal, is in any way concerned or interested in this resolution.

**By order of Board of Directors  
For SQL STAR INTERNATIONAL LIMITED**

New Delhi  
April 26, 2004

**Arun Phasu  
Company Secretary**



## Company Information

### Board of Directors

Dr. Ramaswamy P. Aiyar  
Chairman

Mr. Brij Kumar Tankha  
Director - Special Projects

Dr. Ashok Kumar Agarwal  
Director

Mr. Satish Kumar Arora  
Director

Dr. Kishore B. V. Buddhiraju  
Director

Mr. Pradeep Gupta  
Director

Mr. Yogesh Jain  
Director

Mr. Dinesh Sharma  
Director  
(Nominee of IFCI Venture Capital Funds Ltd.)

### Company Secretary

Mr. Arun Phasu

### Bankers

State Bank of India  
Overseas Branch, Vijaya Building,  
Barakhamba Road, New Delhi - 110 001.

### Auditors

M/s. Arora Aggarwal & Associates  
Chartered Accountants  
75/3, Link Road, Lajpat Nagar - III,  
Near Moolchand Hospital, New Delhi - 110 024.

### Registered Office

3<sup>rd</sup> Floor, Andhra Association Building,  
24 - 25, Institutional Area, Lodhi Road, New Delhi - 110 003.  
Ph: 011 - 24601539, 24602904; Fax: 011 - 24601597

### Corporate Office

#### New Delhi

A - 38 B, Kailash Colony,  
New Delhi - 110 048.  
Ph: 011 - 26224047, 26225847, 26222898; Fax: 011 - 26224175  
E-mail: corpdel@sqlstarintl.com

#### Hyderabad

SQL House  
13 Infocity, Madhapur  
Hyderabad - 500 033, A. P.  
Ph: 040 - 23101600; Fax: 040 - 23101608  
E-mail: corp@sqlstarintl.com

### Overseas Offices

#### USA

SQL Star International Inc.,  
1265 El Camino Real, Suite 206, Santa Clara, CA 95050  
Ph: +01 408 241 8985, Fax: +01 408 241 8986, E-mail: pradeeps@sqlstarintl.com

#### Singapore

International SQL Star Pte. Ltd.  
# 08-53, Anson Centre, 51 Anson Road, Singapore - 079904  
Ph: +065 2270052, Fax: +065 2271730, E-mail: sanjaygupta@sqlstarintl.com

### Software Development Centres

#### Hyderabad

SQL House, 13 Infocity, Madhapur, Hyderabad - 500 081, A.P.  
Ph: 040 - 23101600, Fax: 040 - 23101608, E-mail: corp@sqlstarintl.com

#### New Delhi

A - 38 B, Kailash Colony, New Delhi - 110 048.  
Ph: 011 - 26224047, 26225847, 26222898. Fax: 011 - 26224173  
E-mail: corp@sqlstarintl.com

### Education Centres

#### Bangalore

40/4, 3rd Floor, Above Mandovi Motors, Lavelle Road, Behind Bowring Institute,  
Bangalore - 560 001.  
Ph: 080 - 2277681/2277882, Fax: 080 - 2277764, E-mail: bmbblr@sqlstarintl.com

#### Bhubaneswar

B-41, Sahid Nagar, Opp. Women's College, Bhubaneswar - 751 007.  
Ph: 0674 - 2513922/2545844, Fax: 0674 - 2546468, E-mail: sqlbbsr@sqlstarintl.com

#### Chennai

Dwaraka, 36, 3rd Floor, Nungambakkam High Road, Chennai - 600 034.  
Ph: 044 - 28252136/28252067/28252013, Fax: 044 - 28252209  
E-mail: bmchn@sqlstarintl.com

#### Hyderabad

4, Motilal Nehru Nagar, 1st Floor, Begumpet, Hyderabad - 500 016.  
Ph: 040 - 27763125/27766501/27767516, Fax: 040 - 27761921  
E-mail: sqltrng@sqlstarintl.com

#### Kolkata

2nd Floor, Kankaria Estate, 6, Little Russel Street, Kolkata - 700 071.  
Ph: 033 - 22830289/22830290, Fax: 033 - 22830429, E-mail: bmcl@sqlstarintl.com

#### Mumbai

4th Floor, Kohli Villa, 130 SV Road, Adjacent to Shopper's Stop, Andheri (W),  
Mumbai - 400 058.  
Ph: 022 - 26239320/26239324/26962571, Fax: 022 - 26239326  
E-mail: bmmb@sqlstarintl.com

#### New Delhi

3rd Floor, Andhra Association Building, 24 - 25, Lodhi Road, New Delhi - 110 003.  
Ph: 011 - 24601539/24602904/24601598, Fax: 011 - 24601597,  
E-mail: sqlldr@sqlstarintl.com

#### Pune

2nd Floor, Mittal Court, A Wing, Rasta Peth, Off Ambedkar Road, Pune - 411 001.  
Ph: 020 - 4001316/4001317/6129937, Fax: 020 - 6121104  
E-mail: bmpune@sqlstarintl.com

## Chairman's Message

Dear Friends,

It is my pleasure presenting to you, your Company's Seventeenth Annual Report, highlighting the activities and performance in the year 2003.

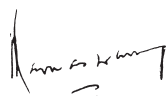
After over two years of worldwide recession, we could see some promising trends starting from the middle of the year 2003. The IT industry, one of the worst affected during the recession, started turning around fast. Companies in the US restarted their IT initiatives but quite cautiously. With a view to further cut down on costs and improve profitability, greater thrust was seen being laid on offshoring. Though it has now become an issue of hot political debate in the US in the light of the forthcoming US presidential election, "offshoring" seems to be an irreversible trend in the time to come.

With the US economy opening up, we have revamped our sales and marketing team in the US to tap the growing opportunity. Our operation in the Asia Pacific region has been consistently growing and all out efforts are being laid to further consolidate our operations in this area. In the domestic scenario, looking at the huge potential in the government sector, we are focusing more on the e-governance projects. The "E-Agricultural Marketing" project on a Build-Own-Operate (BOO) basis from the Madhya Pradesh Agricultural Marketing Board is a major breakthrough in this direction. Our initiative in e-governance projects delivery is expected to yield encouraging results as more and more of such projects are being taken up by the Central government and various state governments. Despite all ups and downs in the market conditions, our learning services continued to be popular and have remained a profitable operation. With a tie up with COGNOS, the world leaders in Business Intelligence and Performance Planning Software Solutions, we have now become the first Authorized Trainers of Cognos in India. We are already providing training on their products. e-Learning holds out immense promise and we are now aiming at significantly increasing our presence in the US market.

Your company has recorded a turnover of Rs. 32.69 crores in the year, as against the previous year's turnover of Rs. 33.87 crores. The net profit after tax is Rs. 0.20 crores in comparison to the previous year's Rs. 0.10 crores.

On the basis of the current trends, the year ahead looks to be highly encouraging and we are quite optimistic about our performance in this period. I take this opportunity to thank all our shareholders, business partners, financial institutions and employees for their continued support.

With best wishes



**Ramaswamy P. Aiyar**  
Chairman



# Directors' Report

To the members of SQL Star International Limited

Your directors have pleasure in presenting the 17<sup>th</sup> Annual Report of the company, together with the Audited Balance Sheet, Profit & Loss Account, Cash Flow Statement for the year ended December 31, 2003.

## FINANCIAL RESULTS

PARTICULARS	(Rs. in lakhs)	
	Year ended 31.12.2003	Year ended 31.12.2002
Total income	3268.57	3386.80
Profit before interest, depreciation & tax	279.97	296.08
Finance charges	97.40	121.02
Depreciation	161.30	162.29
Income Tax	0.75	2.28
Profit after tax	20.52	10.49
Tax for earlier year	-1.99	7.09
Profit and Loss balance brought forward	726.64	723.24
Total Profit available for appropriation	749.15	726.64
Appropriation from Profit & Loss Account	672.87	
Profit & Loss balance carried over to Balance Sheet	76.28	726.64

## FINANCIAL PERFORMANCE

The total income of your company was Rs.32.69 crores during the current year as compared to Rs 33.87 crores in the previous year, the Net Profit after tax has marginally improved and is Rs.20.52 lacs in comparison to the previous year's Rs.10.49 lacs. The break-up of income between software and education division was 55% and 45% as against 58% and 42% respectively in the previous year. The profit margins have been low due to declining billing rates. The company has been making all out efforts to consolidate the cost structure of the company.

## DIVIDEND

Directors regret their inability to recommend any dividend for the year ended December 31, 2003, due to inadequacy of profits and liquidity crunch faced by the company.

## OPERATIONS

### Performance

Year 2003 was the year of rebound for the IT sector world wide and for India in particular. After the world-wide recession in the IT sector in the previous 2 years, there seemed to be an imminent danger of year 2003 going the same way with events like the Iraq war pushing back any recovery. Fortunately, it did not. IT spending in the US started to increase from middle of year 2003 and a trend that was started in the recessionary years of meeting IT objectives within sharply pruned budgets through offshoring, now became a flood. The increase in IT spending only resulted in a greater thrust towards offshoring, as companies saw this as a way to improving profitability. India became the leading offshore hub despite stiff competition

from countries like China, Ireland and Philippines. The use of English in business communication, the large technical talent pool, the improved infrastructure and the already impressive track record were contributory factors to this. By the end of 2003, offshoring had become a political hot potato in the US. The loss of IT and other jobs to lower-cost locations like India had become a political issue that could impact the US presidential election slated for 2004.

For your company, 2003 was a year that posed several challenges. As mentioned in our last Annual Report, the strategy going into 2003 was to reduce our dependence on the then sluggish US economy. Accordingly your company set up a Special Projects Division (SPD) to tap the huge potential in the Government sector in India. E-Governance is now the name of the game and your company is gearing itself to tap the huge potential in this segment. The mandate for the SPD was to create world-class processes that would enable us to take over the operations of some of the largest Government projects in e-Governance – a sort of domestic Business Process Outsourcing. Your company got a significant breakthrough in the State of Madhya Pradesh for implementing a solution and then managing the operations for the "Mandis" in the State in a Build-Own-Operate (BOO) model. By the end of the year, your company was in the shortlist for several such projects. Each of these projects would potentially generate revenues of the order of several crores over the life of the contract.

Your company also made impressive progress in the Asia Pacific markets where market coverage was extended to Malaysia and Thailand. New customers like Pfizer and repeat orders from existing customers like HP ensured that the Singapore office grew nearly 50% over 2002.

With the US economy opening up in the second half of 2003, your company revamped its sales and marketing there to cash in on the opportunities that were opening up. By the end of 2003, your company had built a significant pipeline of prospects in the US, some of which resulted in business in Q3 and Q4 of 2003 and the rest held out the possibility of significant revenues in 2004.

The training division continued to be a pillar of strength for the company in 2003. Overall revenues and operating profits grew by 3% and 20% respectively over 2002. The training Division became an authorized Cognos training partner in India, an alliance that enabled your company to be a player in the high end training market in segments like data warehousing, business intelligence etc.

## FUTURE PLANS

### Software Services:

Your company believes that the trend towards offshoring has come to stay and has accordingly re-defined its business strategy. At the same time, your company appreciates and understands the impact of the presence of large US and Indian companies in this space and the increased competition. Traditional segment like 'Application Maintenance' work is offering reduced margins due to the declining bill rates on the one hand and the increasing manpower costs in India on the other. Your company believes the bulk of the revenues for the next couple of years will still flow from work that has been traditionally outsourced. But at the same time, to ensure adequate operating margins, the company needs to identify niche segments that offer some amount of entry barrier and enable your company to get better bill rates and margins. Accordingly, the company has been focusing, in its global markets, on technology niches like data warehousing and business intelligence and mobile computing and on the two verticals of Supply Chain and Insurance. The company has added one insurance customer and one



Supply Chain customer in Q4 and has several prospects that will finalise in the first quarter of 2004. The management believes that this focused approach in its global markets is going to lead to the creation of a significant order book over 2004.

In the domestic software market, your company will continue to consolidate its position in the e-Governance area where Government is the major end-user. As mentioned earlier, the company is focusing on creating a complete methodology that can be replicated over different projects executed under the BOO model. Your company looks forward to significant increases in domestic software revenues in 2004 over 2003.

### Education Division:

While the education division has been performing satisfactorily for several years now, your company management is fully seized of the need to (1). Create a business model for this division that will lead to rapid scaling and (2). Reduce the dependence on Instructor-led training on Oracle. Your company is looking at several options to achieve this without significant capital investments. The alliance with Oracle continued to be robust and your company was among the first to launch the next generation Oracle courses in the middle of 2003. In addition the company is looking to set up franchisees in overseas markets with a view to increasing distribution reach. Your company is looking to partnerships similar to the one with Cognos, through which training services that offer higher margins can be offered using the current infrastructure. e-Learning services continues to be a major focus area for the division and e-Learning revenues in 2004 are expected to be at least 10% of the overall revenues of the education group as compared to 6% in 2003.

### SUBSIDIARY COMPANIES

The statement pursuant to Section 212 of the Companies Act, 1956 is annexed to the Annual Accounts of the company together with the Annual Accounts of the wholly owned subsidiaries (WOS) of the Company, International SQL Star Pte. Ltd., Singapore, SQL Star International Inc., USA and SQL Star International Ltd. U.K.

- **International SQL Star Pte. Ltd., Singapore** reported a profit of S\$ 12,530 the financial year ended 31st December 2003 as compared to a profit of S\$ 2531 in the previous year. With economic recession in the South Asia Pacific region nearly over and the marketing efforts started during the year 2002, the company was able to reach a turnover of Sing\$ 1.08 million (Sing\$ 0.73 million last year), an increase of 48%. However, the profit margins remained under pressure due to significant drop in operating margins for "Onsite" consultancy. The Consulting & Education Services are poised for robust growth in the coming year, supported by enhanced business expected from our old business associates, Hewlett Packard and Oracle Corporation.
- **SQL Star International Inc., U.S.A.** reported a loss of US\$ 976,736 for the financial year ended 31st December 2003 (as compared to a loss of US\$ 2,13,756 in the previous year). The loss has been due to normal write-off/ provision of Bad and Doubtful debts, write-off of Legal Expenses on expiry of three years and normal business loss. The business loss has been the result of declining trends in the onsite Professional Support Services (PSS) activities leading to erosion of our contribution base and resulting in significant pressure on operating margins. Your company took steps to cut down overheads in the US, maintaining a bare minimum team to service the market. With the US economy opening up from the second half of year 2003, the IT

spending in the US started to increase and a trend that was started in the recessionary years of meeting IT objectives within sharply pruned budgets through offshoring now became a key business strategy. Your company revamped its sales and marketing there to cash in on the opportunities that were opening up and this has enabled your company to build a significant pipeline of prospects in the US by the end of 2003. The accounts of your company have been reviewed by an Independent Auditor.

- **SQL Star International Ltd., U.K.** : The company has completed the formalities for acquisition of SQL Star International Ltd. U.K., which was a wholly owned subsidiary company of Information & Computing Services Ltd., U.K. (I&CS) by capitalisation of software exports of UK Pound 2,25,000 made to I&CS. There was no business transaction in the WOS company during the year and due to complete erosion of investments held on account of a software package and certain normal administrative expenses, there was a loss of UKP 36,229 during the year. (Capitalisation of UKP 72,631/- was done on October 28, 2003 resulting in equity participation to the extent 32% and therefore the pro-rata loss comes to UKP 2,065/-). The management of the company has initiated activities to augment business and efforts are on to make this acquisition a viable investment.

### MATERIAL CHANGES AFTER THE DATE OF BALANCE SHEET

Pursuant to provisions of Section 217 (1)(d) of the Companies Act, 1956, there has been no material change and commitment affecting the financial position of the company, which have occurred between the end of the financial year of the company to which the balance sheet relates and the date of the report.

### ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, are given in Annexure "A" to this report.

### PARTICULARS OF EMPLOYEES

As none of the employees, employed during full or part of the last financial year received a remuneration of Rs.24 lacs p.a. or Rs.2.00 lacs p.m., therefore no information is furnished in terms of the provisions under Section 217 (2A) of the Companies' Act, 1956 read with the Companies (Particulars of Employee) Rules, 1975.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors' Responsibility Statement is given in Annexure "B" which forms part of this report.

### CORPORATE GOVERNANCE

Policies of your company and steps taken by the Board of Directors for good corporate governance of the company conforms to the procedural guidelines of corporate governance prescribed by the Securities and Exchange Board of India. All the conditions of Corporate Governance as





required under clause 49 of the Listing Agreement with Stock Exchanges have been complied with and verified by a Company Secretary in Whole-time practice. The certificate to this effect is enclosed as Annexure "C" to this report.

As required under Clause 49 of the Listing Agreement, reports of Management Discussion & Analysis and Corporate Governance have been given separately in the Annual Report.

## QUALITY INITIATIVES

For authoritatively proclaiming its beliefs in Quality management and philosophy, your company obtained the coveted ISO 9001:2000 certification for the Learning Services by STQC Certification Services, the premier international quality certification agency. The scope of the certification covers Design, Development and Delivery of IT Education Services and also Design, Development and Implementation of Customised e-Learning Solutions. Our Software Development facilities in Hyderabad and Delhi are already ISO 9001:2000 certified by STQC.

On the path of excellence, after ISO, your company is now aiming for another milestone - CMM Level 5. Several training programs for employees across functions have been conducted in the recent past in SQL House, making them well acquainted with the concepts, processes and procedures of Capability Maturity Model (CMM).

## EMPLOYEES STOCK OPTION PLAN (ESOP)

The company has created an Employees Welfare Trust ("Trust") called "SQL ESOP Trust" to implement the Employees Stock Option Plan and allotted 4 lakh Equity shares to the Trust on 4<sup>th</sup> December 1998.

The Trust holds the shares for and on behalf of the eligible employees and to offer the same to the eligible employees, subject to the terms and conditions of the Employees Stock Option Scheme. The company has appointed an Advisory Committee to identify eligible employees for issue of equity shares.

During the year under the review, no shares were allotted to employees of the company.

## FIXED DEPOSITS

The company has not accepted any fixed deposit, therefore the provisions of Section 58A of the Companies Act, 1956, and rules made thereunder are not applicable to the Company.

## DIRECTORS

In accordance with the provisions of the Articles of Association of the Company the following directors retire by rotation in the forthcoming Annual

General Meeting, and being eligible, offer themselves for reappointment:

- i. Dr. Kishore B. V. Buddhiraju
- ii. Mr. Yogesh Jain
- iii. Mr. Brij Kumar Tankha

The Board has recommended their re-appointment.

The term of Mr. Brij Kumar Tankha, Director - Special Projects expired on March 31, 2004 as Whole-time Director of the company. The Board in its meeting held on January 29, 2004 had extended the term of Mr. Brij Kumar Tankha, as Whole-time Director of the company designated as Director - Special Projects for a further period of one year i.e. till March 31, 2005. Necessary approval of the shareholders would be obtained at the ensuing Annual General Meeting of the company.

## AUDITORS

The Auditors M/s. Arora Aggarwal & Associates, Chartered Accountants, New Delhi, retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

## STOCK EXCHANGES

During the year no fresh equity shares were allotted. Shares of the company (Face Value Rs.10/-) are listed on the Stock Exchanges of Mumbai, Delhi and Hyderabad. The Annual Listing fees of the said Stock Exchanges have been paid. The Company's Shares are under "Compulsory Demat Trading" category with effect from August 28, 2000.

## ACKNOWLEDGEMENT

Your directors wish to place on record their appreciation for the dedicated and sincere services rendered by the staff and officers of the company. Your directors also place on record their appreciation with gratitude for the timely guidance and financial help provided to the Company by Venture Capital Partner IFCI Venture Capital Funds Ltd..

Your Directors also thank the Bankers, Financial Institutions, Business Institutions, Clients and Shareholders for their continued and timely support.

For and on behalf of the Board of Directors

Place: New Delhi  
Date: April 26, 2004

Chairman

## Annexures to the Directors' Report

### Annexure - A

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

#### A. Energy Conservation

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, are not applicable to the Company.

#### B. Technology Absorption, Adaptation and Innovation

The company's business demands constant absorption and adaptation of changing technologies to stay competitive in the rapidly changing world. The software development centres are constantly absorbing, adapting and deploying new technologies. Continuous efforts are made on updating the professionals to the new technology.

#### C. Foreign Exchange Earnings and Outgo

(Rs. in lakhs)

	2003	2002
Earning by way of Professional & Service Charges	1424.45	1724.78
Expenditure in Foreign Exchange	1437.89	1591.29

#### D. Research & Development

In this world of rapidly changing and advancing technologies, your company has laid strong emphasis on research and development and used it as a driver to move up the value chain. Further continuing our focus on the internet technologies, the setting up competency centres, are expected to give substantial benefits to the company in the future.

### Annexure – B

#### Directors' Responsibility Statement

Pursuant to provisions of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of SQL Star International Limited having its registered office at 3<sup>rd</sup> Floor, Andhra Association Building, 24 – 25 Institutional Area, Lodhi Road, New Delhi – 110 003, do hereby confirm –

- i. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. that the directors had prepared the annual accounts on a going concern basis.





Annexure – C

**Certificate by Company Secretary in Whole-time practice for compliance of conditions of Corporate Governance by the company as required under Clause 49 of the Listing Agreement with Stock Exchanges**

To  
The Members of SQL Star International Ltd.,  
New Delhi.

We have examined the compliance of conditions of Corporate Governance by SQL Star International Limited, for the year ended December 31, 2003, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of conditions of Corporate Governance. It is neither an Audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied in all material respect with the conditions of Corporate Governance as stipulated in the Listing Agreement.

The management has delegated the power of share transfer to its Registrars & Transfer Agents (RTA) – Karvy Consultants Ltd., Hyderabad w.e.f. July 2002 and they have been directed to attend the share transfer formalities at least once in a fortnight. The RTA gives regular updates to the Investor Grievance Committee of the Board on the status of investor grievances/ redressing of shareholders and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Company and the Registrars & Transfer Agents.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **B B Gupta & Associates**  
Company Secretaries

Place: New Delhi  
Dated: April 21, 2004

(**Viney Kumar Jain**)  
Proprietor

# Management Discussion and Analysis Report

Despite being through troubled times—in the globally challenging economic environment of 2001-2003, the software and services industry, a major component of India's IT sector, showed significant momentum and proved to be the country's fastest growing segment. India continued to be a compelling investment destination and outsourcing of IT requirements by leading global companies to Indian majors also picked up pace during 2002-03, a trend that continued into 2003-2004.

Software and services exports continued to remain on top of the IT industry's revenue table. The software export sector logged in a revenue of Rs. 47,500 crore during 2002-03, a jump of around 30 percent, as compared to the previous year. In terms of software services delivery, offshore project revenues grew by a blazing 49 percent as compared to on-site revenues, growth of which was pegged as 12 percent during 2002-03. The revenue contributions by the US market continued to rise on account of the large number of ITES/ BPO projects getting outsourced to India.

## 1. Industry Structure & Development

### 1.1. The Global Scenario

Business intelligence majors such as IDC state that the IT services market will grow at a Compounded Annual Growth Rate (CAGR) of 5.4 percent over the next five years. Some of the other developments defining this segment include the following:

- a high growth IT outsourcing industry which will maintain a momentum of five percent in 2003-04. Application outsourcing will remain the focus within this segment
- a high growth Application Service Providers segment which is forecast to grow at a healthy five year CAGR of 25.3 percent
- a return to moderate growth of the custom applications development segment, which was the worst hit by the offshoring phenomenon
- a mild recovery by the US IT services market which is expected to achieve growth of around two percent during 2003-04 and around six percent by 2005.
- a healthy growth of around 8.6 percent in the IT services market within the Asia Pacific region, and a five year CAGR of 12.6 percent.
- high growth rates of IT services in the rest of the world (including central and Eastern Europe, Middle East and Africa).

The rise of offshoring as a mainstream strategy is based on overall savings of 30-60 percent for outsourcing companies. According to Morgan Stanley, the percentage of CIOs outsourcing software applications offshore is likely to triple to 28 percent from 8 percent in 2003. IDC expects offshore volumes to double to US\$16 billion in 2004 and jump to US\$ 40 billion by 2007.

### 1.2. IT Software and Services market in India - Exports

IT software and services market in India continued to be driven by exports, which exhibited robust growth during the 2003-04 period. The export segment, which had logged in revenues of Rs. 461 billion (US\$9.55 billion) in 2002-03, accounted for around 60 percent of the total revenues of the IT industry that year. Software and services exports meanwhile are expected to cross the Rs. 555.1 billion mark (US\$12.2 billion) in 2003-04, a jump of 20.4 percent in rupee terms and 28 percent in dollar terms.

The Indian software and services market continued to build momentum, as an economic upturn began sweeping the global geographies. The sector, which had managed to sustain growth during the challenging 2000-02 period, built up steam once again, reverting gradually to its performance levels prior to the global economic recession.

- Close to 60 percent of the revenues of the overall IT software and services market were accounted for by exports, which jumped from Rs. 461 billion (US\$ 9.55 billion) in 2002-03 to an estimated Rs. 555.1 billion (US\$ 12.2 billion) in 2003-04.
- The ITES/ BPO industry grew at a rapid-fire 52.3% during 2003-2004, accounting for around 29.3% of the overall IT export revenues in this period.

- The financial services sector continued to account for the largest share of Indian software and services exports. IDC studies indicate that IT spending by US banks alone will touch US \$ 60 billion by 2007.
- India continued to expand its presence in two of the 10 major IT service lines. Custom Application Development and maintenance and application outsourcing accounted for nearly 88% of the total software exports in 2003-2004. More recently, Indian IT companies are moving up the value chain and offering services in IT consulting, Systems Integration, Network Consulting and Integration Processing services and IS outsourcing.
- The Indian software and services global delivery model veered towards offshore outsourcing, which will account for about Rs.33,000 crores in 2003-2004 while onsite consulting will be about Rs. 22,500 crores in the same period.
- The Indian software industry has a pyramid structure with a handful of companies with revenues exceeding US\$ 200 million. Tier 1 companies (the top 5 firms) accounted for nearly 32% of the total software exports.

### 1.3. Future opportunities for Indian IT Software and Services Companies

According to leading global business intelligence analysts, the offshore outsourcing market, still in a nascent stage, is expected to witness substantial growth over the next few years.

- Forrester Research estimates that only 3-4 percent of the Fortune 500 companies offshore more than 10 percent of their IT services spending. Considering the mammoth IT budgets of these companies, there is a vast untapped potential that the segment offers Indian software and services vendors.
- Industry watchers are hopeful that industry pricing will remain relatively stable over the near-to-intermediate term and that Indian services firms may even be able to raise prices.
- Supply side factors indicate that India will continue to have a significant pool of "tech-ready" and "tech-trainable" students over the next few years. It was estimated that during 2003 around 375,000 students joined up engineering or other technical programs. This was in addition to the 500,000 non-engineering graduates that passed out of India's higher education institutions.
- It is expected that over the next few years, Indian software and services companies will adopt a global delivery model based on four components: onshore (same country as client); on-site (at the client site), nearshore (country near to client country) and offshore (based in India).

### 1.4. IT Software and Services in India – Domestic Market

The high growth of the export sector, however, will not be matched by the domestic market which is expected to log in momentum of around 15 percent, down from 23 percent in 2002-03. In terms of revenues, the domestic market will cross the Rs. 154 billion (US\$ 3.4 billion) mark, with the packaged software segment logging in Rs. 21 billion (US\$ 462 million) worth of revenues and the software services touching Rs. 100 billion (US\$2.2 billion) levels.

The Government continued to be the single largest customer for IT services in the current fiscal year. With increasing pressure to improve efficiencies through leveraging Information Technology and budget constraints for investments, many State and Central Governments looked at innovative models for meeting their goals including a complete outsourcing of the management and operations of the application.

- During 2003-04, the packaged software segment logged in a growth of around five percent, increasing revenues to Rs. 21 billion (US\$ 460 million)
- Branded software was purchased by both large and SME companies, with the BFSI segment proving to be the key buyer
- Around 42 percent of Indian organisation deployed at least one of the three applications—ERP, SCM and CRM. While ERP had the highest installed base in the applications market (a share of 37 percent), CRM and SCM lagged behind at 15 percent and 11 percent respectively





- The software services market was estimated to have grown at a healthy 18 percent during 2003-04, logging in revenues of Rs. 100 billion (US\$ 2.2 billion). This was up from Rs. 85 billion (US\$ 1.8 billion) in the previous year. The key components of this segment included customised software services, turnkey projects, consulting and other services
- While customised software services grew by five percent to touch Rs. 20 billion (US\$ 440 million) in 2003-04, turnkey projects (a mix of systems integration and network integration solutions) blazed forward at a 26 percent growth rate. Revenues of this segment touched Rs. 32 billion (US\$ 703 million) in 2003-04. Consulting services also showed high growth, logging in revenues of Rs. 15 billion (US\$ 320 million) in the same period.

### 1.5. Learning Services

The **Indian training and education industry** meanwhile showed signs of a resurgence during 2003-04, increasing revenues to Rs. 12 billion (US\$ 270 million).

The growth in the IT training market was a result of the demand for skilled ITES-BPO professionals. Education services ranged from simple call centre training to complex project management, testing and PCMM/CMM training programs. Soft skills training for the ITES market also became popular and included customer relationship management, multi-tasking and talent transformation, etc.

(All data/figures mentioned hereinabove are taken from NASSCOM's reports).

### 2. Opportunities and Threats

The company's activities are currently facing the following threats that need to be addressed immediately :

- the learning services group continues to be one of Oracle's leading training partners in India. The company has not been able to identify alternate lines of training to leverage the infrastructure set up in the form of 8 training campuses and to reduce dependence on Oracle.
- globally, the IT market is moving towards "domain" expertise rather than "technology" expertise. Technology is becoming a commodity that is freely available and no longer a major consideration in outsourcing decisions. The depth and breadth of understanding of a client's business space is now the key determinant in the selection of a vendor. Our software group has the disadvantage of being unable to demonstrate the required domain knowledge in any vertical leading to an inability to become a niche player.

Some of the opportunities that SQL Star has currently identified as strategic directions for itself are as follows :

- Expanding the reach of our learning services into global markets, leveraging our presence in the US and South East Asia. It is envisaged that this will occur through a combined strategy of offering custom e-learning solutions to corporate clients, expanding our partner program into some of these and other markets like the middle East and by securing large global corporate training contracts.
- Your company has signed-up an Authorized Training Partnership Agreement with Cognos Far East Pte. Ltd., the world leader in Business Intelligence (BI) and Performance Planning software for the enterprise. We have already launched training programs on Data-Warehousing and Business Intelligence, which generated an alternate revenue stream to Oracle for the Instructor led training. The Business Intelligence market, which is fast picking up world wide, is expected to witness a high growth rate in India also.
- The Government will continue to be the biggest spender on IT services in India. The company has identified this as a major opportunity to build a significant presence in the domestic software market, leveraging the significant work that it has already done in this vertical. The company is in talks with several State governments to build long term business models that work to the mutual advantage of both your company as well as the

State. The Special Projects Division, also known as the e-Governance Division, has been set up to address this specific niche.

- The company plans to leverage the work it has already done in verticals like insurance, health care and supply chain to create significant value propositions for prospective clients in this area. SQL Star recognises that in today's economic climate in the US, clients place a premium on the domain understanding that the vendor brings in rather than the technology expertise. With this in view, the company is completely revamping its sales and marketing strategies in the US to focus on specific verticals. The company is exploring partnering arrangements with US companies with demonstrated expertise in these verticals. Some success has already been achieved in the Insurance and Supply Chain verticals.

### 3. Segment-wise Performance

Segment-wise Revenue, Results and Capital Employed as at 31<sup>st</sup> December, 2003.

(Rs. In Lacs)					
Sl. No.	Particulars	Three months ended		Year ended	
		31 <sup>st</sup> December 2003	31 <sup>st</sup> December 2002	31 <sup>st</sup> December 2003	31 <sup>st</sup> December 2002
<b>1</b>	<b>Segment Revenue -</b>				
a)	Software Development	435.07	340.44	1,805.34	1,962.27
b)	Education	356.78	409.87	1,452.16	1,409.98
	<b>Total</b>	<b>791.85</b>	<b>750.31</b>	<b>3,257.50</b>	<b>3,372.25</b>
	Less: Inter Segment Revenue	—	—	—	—
	<b>Net Sales/ Income from Operations</b>	<b>791.85</b>	<b>750.31</b>	<b>3,257.50</b>	<b>3,372.25</b>
<b>2</b>	<b>Segment Results –</b>				
	Profit before tax and interest for each segment				
a)	Software Development	48.15	20.24	188.07	198.38
b)	Education	80.90	122.15	358.49	297.92
	<b>Total</b>	<b>129.05</b>	<b>142.39</b>	<b>546.56</b>	<b>496.30</b>
	Less:				
i)	Interest	22.74	20.65	97.40	121.02
ii)	Other un-allocable expenditure net of un-allocable income	101.90	113.54	427.87	362.52
	<b>Total Profit before tax</b>	<b>4.41</b>	<b>8.20</b>	<b>21.29</b>	<b>12.76</b>
<b>3</b>	<b>Capital Employed</b>				
	(Segment Assets – Segment Liabilities)				
a)	Software Development	2,988.06	3,048.12	2,988.06	3,048.12
b)	Education	359.54	1,037.78	359.54	1,037.78
c)	Others	31.70	31.38	31.70	31.38
	<b>Total</b>	<b>3,379.30</b>	<b>4,117.28</b>	<b>3,379.30</b>	<b>4,117.28</b>

The Company's operation comprises Software Development and Education. Assets and Liabilities have been identified between the two segments and Capital Employed calculated on that basis. Revenue and direct expenses, which relate to a particular segment are allocated while allocable indirect expenses are allocated based on turnover.

### 4. Outlook

Year 2003 was a very difficult year for your company. Severe pressures on cash flows constrained your company from making the investments required as, globally, the economy showed signs of revival. Your company continued to focus on rationalising costs, improving operating margins and preparing the ground work for some intensive efforts in the market for 2004. Sales and marketing structures in overseas offices were revamped, the Special Projects Division was set up to focus on the Government vertical and the delivery organisation was re-tooled to become more customer-focused.

The training division continued to do well despite a second straight negative year for the IT training market where the segment revenues dipped by a massive 23% and registered a modest growth of over 3% over 2002. While the almost total dependence on Oracle continues to be a concern, the training division has focused on new avenues for revenue generation. Overseas franchisees are being actively pursued and the company is currently engaged in discussions with interested parties in Mauritius, China and Sri Lanka. The e-learning group with the Learning Services Division has picked up pilot projects from large Public Sector organisations in India which, on successful delivery, could lead to multi – crore orders. A training alliance with Cognos has enabled the company to offer Authorised Training in areas like Data-

## Warehousing and Business Intelligence.

In domestic software, your company split the sales and marketing organisation into the corporate and government verticals for better focus. The Government software marketing group was merged with the Special Projects Division. Your company expects domestic software and special projects to be the single largest growth item in terms of revenues in 2004. The combined revenues are expected to grow to nearly 10 crores in 2004, an increase of nearly 300% over 2003.

The company is in talks with several State Governments to build long term business models that work to the mutual advantage of both your company as well as the States. Your company has successfully completed the development phase for computerisation of the Mandi operations in the State of Madhya Pradesh. Your company is also in the shortlist for several other projects in the "e-governance" arena.

Some important breakthroughs and development in 2003 that could lead to significant revenue generation in 2004 are given below:

- **M. P. Agricultural Marketing Board (e-Governance project of "Krishi Mandis"):** This path breaking "E-Agricultural Marketing" project on a Build-Own-Operate (BOO) basis, worth Rs. 80 crore from the Madhya Pradesh Agricultural Marketing Board was awarded to your company in the month of May 2003 after stiff competition. Under this project, to be implemented over the next 6.5 years, all operations of 229 Mandis in the state of Madhya Pradesh will be available online as a part of the MP government's objectives to promote E-Governance. We would provide the IT infrastructure using state-of-art technologies and develop an application software for the entire Mandi transactions to enable faster transactions and minimal paperwork in the Mandis. Payment of Mandi fees, filing of returns by traders, daily listing of commodity prices will also be facilitated. This will help farmers optimize their selling decisions and traders to make their purchase decisions.

Through this E-Agricultural Marketing project—named E-Krishi Vipnan (EKVI), we will be establishing a new generation of fully transparent agricultural marketing practices. With the creation of e-Mandis, the farmers will no longer bring their produce to the Mandis. Instead, they will use e-transactions to sell the produce online, thereby reducing their transit and handling losses and optimising price realisation.

- We were awarded the contract for System study, Analysis, Design, Prototyping, Development, Coding, Testing, Installation and Implementation of software modules for Management Information System for Civil Engineering Departments (Land and Planning & Design sections) in Delhi Division and Headquarters of Northern Railways. In the Oracle based Management Information System project for **Railways Civil Engineering – Northern Railways**, the user acceptance for all the modules have been received. Currently one month parallel run is in progress for implementation of MIS.
- **Railways Electrical Engineering – Northern Railways** is also at stage of parallel run. In this project for development of a Management Information System, all eight modules of Coaching System (Coach Masters and Incident) and all thirteen modules of Traction (Organization, Assets and TPC) have been released for user acceptance.
- The user acceptance of all modules of the Management Information System and complete automation of Jamia Millia Islamia university has been received and the complete set-up has started functioning. Another project on Facilities Management of Jamia Millia Islamia is presently under development.
- **Sara Lee Branded Apparel (USA):** We continue to be involved in design, development and deployment of the web based "Sourcing Vendor Master" management system for Sara Lee Branded Apparel. The system allows vendors of Sara Lee to enter information about their company, its production facilities and sales offices as well as send necessary information. In addition the system allows the global sourcing group at SLBA to analyse the information and evaluate the vendors.

Based on the successful delivery of the first 2 phases, Sara Lee has now decided to expand this system to include other parts of the supply chain including Manufacturing to enable them have a comprehensive view of resources around the world, leveraging the capabilities of the existing Internet-based system.

Sara Lee has given us short pilot for maintenance and support from offshore (with no on-site presence) of their vendor maintenance system. The pilot has been successfully executed. They have extended the support contract for 3 more months for now and repeat orders are expected.

- **New Breed (USA):** After the successful completion and delivery of the offshore project to the US based client New Breed Inc., a leading provider of supply chain network solutions, they have released a series of orders to strengthen the relationship that involves maintenance and support for their products. In December, after training of our professionals on their new Java platform and we have started Java based development work with them.

It has been a year since we started working with New Breed. Now, we provide the entire support and maintenance of their MS technology based systems. Currently we are also engaged in building a new state-of-the-art order management system in the Java environment. We foresee this as a million dollar account in 2004.

- **BIPT (USA):** We have signed a 2-year contract with BIPT to set up an offshore development center (ODC) for them at our facility in Hyderabad. The ODC has started with an initial team of 5 people and it is expected to ramp up to a level of about 15 people in 3 to 4 months time. BIPT is a company that is developing web based insurance products and has the State of Florida as its biggest customer.
- **RGA Media Group in the US:** In a major breakthrough with a new client in the US, we have been awarded an order for development of a 450 page website for Ameristar. Ameristar is a leading casino group in the US having presence in several locations. The work has been highly appreciated by the client and nearing completion. We have now been involved in their upcoming project to design and develop a web based project tracking system.
- **ABB (USA):** On successful completion of the first project, the Distributed Information Systems (DIS) group of ABB released a fresh order for additional functionality enhancements on their netCADOPS system. Our first e-learning project in the US was an assignment to build learning modules on the "Operator Interface" of SABLE, ABB's state-of-the-art platform that caters to the needs of Central Markets in the Energy Industry. The project has been delivered to great client satisfaction. We expect many such e-learning assignments from the other groups at ABB.
- **New project from the U.K. based ABB Vetco Gray:** The broad scope of work in this new project from ABB Vetco Gray includes design, development and testing of the Health and Safety application, order processing forms and administrative functions. The project being developed on ASP and Oracle is expected to be extended further on 2004.
- **Hewlett Packard (Singapore):** The Enhancement for Advantage 2003 project at Hewlett Packard, Singapore has been satisfactorily delivered on-time. We have also bagged a prestigious project involving end-to-end project management services for one of HP's transactional systems named Big Deal Funnel Management System. HP Asia-Pacific has launched a broad initiative to integrate various sales related system under a broad umbrella of Pegasus Project. In this project the Big Deal Funnel Management System would be enhanced and integrated with other transactional system. In the meanwhile, enhancements to the Channel Partner Target Setting System (CHATS) site of Hewlett Packard have been successfully completed and we were entrusted with additional assignments for the same system. After Pegasus Phase-2 project, we have bagged the order for Pegasus Phase-3(a) to be commissioned in continuation. The project is to facilitate the front end sales and marketing



team to effectively manage the large volume orders (called big deal management) and need to be commissioned onsite.

- **Pfizer (Singapore):** We have bagged a project for implementation of Business Intelligence solution at Pfizer in the fast emerging area of Business Intelligence, which would provide management with Executive Management System, Customer Management System, Campaign Analysis System, to handle sales effectively and analysis of marketing campaign, customers, products, market share, customer loyalty and sales targets. We have further been awarded the Business Intelligence project for revamping of Pfizer Sales Management system for effectively handling the change management in dynamic business environment. This would enable Pfizer management to make use of BI application for effective business decisions.
- **OFOTO, Singapore:** OFOTO, a wholly owned subsidiary of Eastman Kodak, is a premier online photo service. Through our strong alliance with OFOTO, carefully nurtured by our marketing team, we have been able to offer a comprehensive range of fully objective recruitment and selection solutions. Beneath the surface of a slow economy of 2002 and 2003, we have been able to achieve close to 2 million dollars of business over the past year.
- **Tie-up with COGNOS Authorized Training for Hi-end IT Training for the first time in India:** Last year your company signed-up an Authorized Training Partnership Agreement with Cognos Far East Pte. Ltd. for India. As the first authorized trainers of Cognos in India, we will be providing training on the various products of Cognos, who are the world leader in Business Intelligence (BI) and Performance Planning software for the enterprise. We had been providing Cognos authorized training in Singapore for the last several months. Continuing the relationship, the Cognos courses have been launched in our learning centres in various locations. The Business Intelligence market, which is fast picking up world wide, is expected to witness a high growth rate in India also.
- **e-Learning Assignments:**
  - The Institute of Chartered Accountants of India (ICAI) has entrusted us to develop an e-Learning solution that would enable students to access the US GAAP & International Accounting course through Internet. We would develop, administer and host this assignment exclusively for ICAI in a Build-Operate-Own model. The US GAAP & International Accounting course would be offered to C.A.s across the country.
  - Indian Institute of Banking and Finance (IIBF) has awarded us a project for developing customized e-learning applications for IIBF's Chartered Financial Associate course, targeted at Banking and Finance professionals in the country.
  - Directorate of Vigilance and Anti Corruption of the Tamil Nadu Police Department had entrusted us the work for developing an e-Learning application to facilitate learning of the personnel of All Women Police Stations in handling domestic violence. The pilot module was accepted and work on the subsequent modules had started.
  - The Institute for Development and Research in Banking Technology (IDRBT) had awarded us an assignment for e-learning solutions, which was for developing and deploying a learning solution on Data Modelling for IDRBT.
  - World-renowned VISA Business School of VISA International, Asia Pacific had entrusted us the development of an e-Learning module for imparting training to their employees. This reinforces our credibility in the e-Learning arena.
- **SQL Star ranked amongst Top IT Training Companies of India:** Prestigious DQ Top 20 survey for 2002 - 03, had again adjudged "SQL Star" as one of the top IT training companies in India. Our ranking had climbed to the 8th position as against 11th in the previous year. In the second straight negative year for the IT training market, where the segment revenues dipped by a massive 23%, it was such a scenario it was

commendable that our learning services team could marginally better the revenue figures of the previous year.

- We have bagged an order from Delhi Development Authority for Facility Maintenance and Management Support Services. In this project, we would maintain and manage their specific applications like AWAAS & Information Kiosks, BHOOMI, Legal, Diary Despatch and File Tracking. Trouble shooting on servers and machines, installation of software, customisation & modification of application software and conducting user training would also be our responsibility.
- D-Link India Limited has placed another order for ERP, e-commerce Integration with few additional features.
- **Meeting the offshoring initiatives of the world's largest outsourced manufacturing company – Solectron:** In pursuit of a strategy to cut its IT spending by offshoring of IT development and maintenance functions to India, Solectron had selected us as one of the handful of vendors in India to assist in their offshoring initiatives. The association has tremendous growth potential.
- We have bagged a new project on Database Migration from Motorola India Electronics Limited (MIEL), the wholly owned subsidiary of Motorola Inc. This is a prestigious breakthrough considering the fact that MIEL has been the software vendor of choice for various Motorola Businesses and we are now the software vendor of choice for MIEL in turn.

## 5. Threats, Risks and Concerns

Your company has identified the following as possible threats and risk factors for the health of the organization and is taking steps to rectify the same.

- There is pressure on profitability due to inadequacy of sufficient operating margins to cover the fixed overheads of the company. The company is looking at and has already implemented several steps to bring down the overheads.
- In training, the major concern is that there is over dependence on authorised Oracle training. Your company has already launched training programs on Data warehousing and Business Intelligence through its alliance with Cognos. This will generate an alternate revenue stream to Oracle for the Instructor led training. The company has also identified overseas franchisees as a means to widen the distribution reach and for additional revenues. We have reached advanced stages in discussions with prospective franchisees in China, Sri Lanka and Mauritius.
- Your company has been faced with the issues of a miniscule presence in the domestic software market and the reality of executing work with extremely narrow margins. To take care of this, your company has launched a two-pronged strategy. Firstly there is a major thrust to onsite consulting services in the domestic market and secondly the focus on the Government vertical has shifted from turn key application development projects to long term tie-ups where we actually run the operations. This is being facilitated through the Special Projects Division of the company.
- In global marketing we have no brand equity in overseas markets, we are facing global competition and our value proposition is essentially "me-too" in nature. Our inability to invest in a high calibre front-end business development team that will help formulate and implement strategies has also seriously hurt our chances of achieving the revenue pipeline from the US that could resolve our problems. Your company has over the last 6 months attempted to create strengths internally in areas such as Data Warehousing, Business Intelligence and Mobile Computing and in verticals like Insurance and Supply Chain.

The major concern area continued to be the lack of offshore work from the USA. Your company has completely revamped its sales and marketing organisation in the US and the new team is involved in focused marketing in the areas mentioned in the previous note. The results are beginning to show and the company has picked up three new clients in Q1, with all the three clients in the two verticals that we have identified as focus areas.

## 6. Internal control systems and their adequacy

Your company places considerable emphasis on internal control systems. At the technical level in Software as well as in Learning Services, your company has achieved ISO 9001 : 2000 standard, which shows the level and strength of the adequacy of internal processes. The internal control is multi-layered and they are continually monitored/ updated at regular intervals. In the finance and administrative side, the checks and balances are reinforced by a formal Internal Audit and half yearly statutory audit processes.

## 7. Material Development in Human Resources and Industrial relation front

The key challenge faced in 2003, amidst a tight liquidity position, has been in improving the unit employee productively while at the same tune, investing in building a delivery organisation that could execute world class projects. Your company has kept a tight control on employee headcount and restructured compensation to include productively-linked variable pay.

During the year 2002 the company had restructured internally its organisation levels with a view to maintain individual and organisational productivity at the optimum with minimum workforce and during the year 2003 similar employee strengths were maintained. There has been no other material development in this area and industrial relations continue to be cordial.

## 8. Financial Performance with respect to Operational Performance

### 8.1. Revenues

Although the company could maintain the operational margins and its operational performance were more or less in line with year 2002. The revenues were Rs. 32.58 crores in 2003 as against Rs.33.72 crores in 2002. Software Services revenues declined to Rs. 18.05 crores in 2003 from Rs. 19.62 crores

in 2002 and the Education revenues scaled up from Rs. 14.10 crores in 2002 to Rs. 14.52 crores, an increase of 3%. The profitability which was Rs.10.49 lacs in 2002, improved to Rs. 20.52 lacs in 2002.

### 8.2. Operating Expenses

Operating Expenditure for the year 2003 reduced by 3% over the same period last year. The drop in expenses is on account of reduction of costs and rationalisation of costs implemented by the company.

### 8.3. Earnings before Interest, Depreciation and Tax (EBIDT)

The EBIDT stood at 9% for the year 2003, same as for the previous year.

### 8.4. Profit after Tax (PAT)

The PAT was at 0.63% the year 2003 as compared to 0.31% in last year.

### 8.5. Interest and Borrowings

The financial expenses decreased to Rs.97 lacs from Rs.121 lacs in the last year.

### 8.6. Fixed Assets

Company's gross fixed assets were Rs.22.23 crores, a marginal increase over last year.

### 8.7. Receivables

Debtors as number of days' sales stood at 138 days for the year ended 31<sup>st</sup> December, 2003 as compared to 179 days last year. This is due to low collections on both domestic and export debtors.





# Information on Corporate Governance as on 31<sup>st</sup> December, 2003. (in terms of recommendations by SEBI on Corporate Governance)

## 1. Philosophy:

The Corporate Governance Code is a professional system framed for directing and controlling the organisation based on SEBI guidelines in this respect. The purpose is to ensure compliance of local statutes, ensure safeguard and value addition in the long-term for the interest of its members, creditors, customers and employees. The company had initiated the process of Corporate Governance with its Annual Report of Year 2000 in compliance with Clause 49 of the Listing Agreement with Stock Exchanges although it became applicable for the company with effect from March 31, 2002. A concerted effort has been made to bring in transparency and professionalism to high ethical standards in the business activities while implementing the corporate governance code. The management places on record that the mandatory compliances are in place and the terms of references for various committees constituted in accordance to the provisions are as suggested in the Clause 49 on Corporate Governance in the Listing Agreement.

## 2. Board of Directors:

Composition		
Category	No. of Directors	Percentage
Promoter Directors	5 *	55.56%
Non-Executive, Independent Directors	3 #	44.44%

\* There is one Whole-time Director designated as Director—Special Projects.  
# One nominee director of IFCI Venture Capital Funds Ltd.

Total No. of Board Meetings during the year :	Date
First	March 27, 2003
Second	April 29, 2003
Third	July 31, 2003
Fourth	October 28, 2003

## Attendance of each director at the BoD meetings during the year and at Last AGM

Name	Nature of Affiliation	Designation	Attendance	
			Board Meeting	AGM
Dr. Ramaswamy P. Aiyar	Independent Director	Chairman of the Board	3	Yes
Mr. Brij Kumar Tankha	Promoter	Whole-time Director	4	Yes
Dr. Ashok K. Agarwal	Promoter	Non-Executive Director	3	—
Mr. Pradeep Gupta	Promoter	Non-Executive Director	4	—
Dr. Kishore B.V. Buddhiraju	Promoter	Non-Executive Director	3	—
Mr. Satish Kumar Arora	Promoter	Non-Executive Director	1	—
Mr. Yogesh Jain	Independent Director	Non-Executive Director	4	Yes
Mr. Dinesh Sharma	Independent Director	Nominee Director of IFCI Venture Capital Funds Ltd.	3	Yes

## 3. Audit Committee

Designation	Name	Attendance
Chairman of the Audit Committee	Dr. Ramaswamy P. Aiyar	3
Members	Dr. Kishore B.V. Buddhiraju	2
	Mr. Dinesh Sharma	3
	Mr. Brij Kumar Tankha	3

Total No. of Audit Committee Meetings during the year :

Meetings	First	Second	Third
Date	March 27, 2003	July 31, 2003	October 28, 2003

Meeting of the Audit Committee was held on March 27, 2003 for considering the Audited Annual Accounts of the Company for year ended 31<sup>st</sup> December, 2002. Meeting held on July 31, 2003 and October 28, 2003 considered half-year and Quarterly Limited Review Reports by Auditors respectively together with review of various other matters related to financial reporting under the purview of the committee.

## 4. Remuneration Committee

Chairman	:	Dr. Ramaswamy P. Aiyar
Members	:	Dr. Kishore B.V. Buddhiraju
	:	Mr. Dinesh Sharma

No meeting of Remuneration Committee was held during the year.

## Details of remuneration of all Directors:

Name	Designation	Sitting Fee	Salary	Performance Incentive	Commission	Total	Notice Period	Severance Fee	Stock Options
Dr. Ramaswamy P. Aiyar	Chairman of the Board	6,000	—	—	—	—	—	—	—
Dr. Ashok K. Agarwal	Director	—	—	—	—	3,00,000 <sup>#</sup>	—	—	—
Mr. Brij Kumar Tankha	Managing Director	—	12,97,256	—	—	12,97,256	—	—	—
Mr. Pradeep Gupta	Non-Executive Director	4,000	—	—	—	—	—	—	—
Dr. Kishore B.V. Buddhiraju	Non-Executive Director	6,000	—	—	—	—	—	—	—
Mr. Satish Kumar Arora	Non-Executive Director	1,000	—	—	—	—	—	—	—
Mr. Yogesh Jain	Non-Executive Director	4,000	—	—	—	—	—	—	—
Mr. Dinesh Sharma	Nominee Director of IFCI Venture Capital Funds Ltd.	5,000*	—	—	—	—	—	—	—

\* Paid to IFCI Venture Funds Ltd. <sup>#</sup> Paid as Consultancy Charges.

## 5. Investor Grievances Committee

Chairman	:	Mr. Pradeep Gupta
Members	:	Mr. Dinesh Sharma
	:	Mr. Brij Kumar Tankha

All the investors complaints and grievances received from time to time during the year by the company were suitable addressed and resolved within the stipulated time by the Company Secretary and through Registrars & Transfer Agents, Karvy Consultants Ltd., Hyderabad. A quarterly report of such cases is prepared by the company secretary and presented to the Chairman of the Investor Grievance Committee and the Board in their meetings during the year. The process of shares transfer has been entrusted with Registrars & Transfer Agents—Karvy Consultants Ltd. and has been going on smoothly with fortnightly rests.

**Investor Grievances**

Sl.	Particulars of Request/ Complaints/ Application	Opening	Receipt	Resolved	Pending
<b>1</b>	<b>REQUESTS</b>				
a	Change/Correction of address	0	46	46	0
b	Receipt of dividend warrants for revalidation	0	2	2	0
c	Change/Correction of Bank Mandate	0	3	3	0
d	Request for ECS facility (Electronic Clearance Services)	0	9	9	0
e	Loss of securities and request for issue of duplicate	0	6	6	0
f	Receipt of IB and Affidavit for issue of duplicate securities	0	1	1	0
g	Request for Stop transfer of securities	0	1	1	0
h	Receipt of damaged/mutilated dividend warrant	0	0	0	0
i	Request for Consolidation/Split of securities	0	3	3	0
j	Request for issue of duplicate dividend warrant	0	0	0	0
k	Specimen Sign change/hot in Application & intimation thereof	0	18	18	0
l	Intimation of Nomination Form	0	2	2	0
<b>2</b>	<b>COMPLAINTS</b>				
a	Non receipt of dividend warrants	0	4	4	0
b	Non receipt of Annual Report	0	0	0	0
c	Legal Notice	0	0	0	0
d	Correspondence/Query relating to NSDL operations	0	13	13	0
e	Non receipt of securities/Complaint relating to transfer of shares	0	6	6	0
f	Non receipt of TDS	0	1	1	0
<b>3</b>	<b>GENERAL</b>				
a	Query regarding undelivered documents	0	1	1	0
b	Postal return documents	0	0	0	0
	<b>TOTAL</b>	0	116	116	0

**Data on Share Transfers:**

Sl.	Particulars	Received		Processed		Rejected		NOL Cases	
		Nos.	Shares	Nos.	Shares	Nos.	Shares	Nos.	Shares
a	Physical	388	15718	356	13950	25	1068	7	700
b	NSDL	813	150564	799	137014	6	5200	8	8350
c	CDSL	87	8137	82	6937	4	1100	1	100

**6. General Body Meetings (last three AGMs)**

Date held on	Time	Venue	SpI. Resolutions passed
25.06.2003	9.30 a.m.	Santosh Mohan Dev Auditorium, Bipin Chandra Pal Memorial Bhawan, A-81, Chitranjan Park, New Delhi-110 019	Nil
29.04.2002	10.00 a.m.	Santosh Mohan Dev Auditorium, Bipin Chandra Pal Memorial Bhawan, A-81, Chitranjan Park, New Delhi-110 019	Nil
27.06.2001	10.00 a.m.	Laxmipat Singhania Auditorium PHD House, 4/2 Hauz Khas Khel Gaon Road, New Delhi-110 016.	2

**Postal Ballot** : Not Applicable in any resolutions adopted in AGMs mentioned above.

**7. Disclosures:**

In respect of disclosures on related party transactions, please refer item 19 of Schedule 'P' - 'Notes to the Accounts' of the Annual Accounts of year 2003 at page no. 28 of this Annual Report. There have been no penalties, strictures imposed on the company by the Stock Exchange(s) or SEBI or any statutory authorities or any matter related to capital markets during the last three years.

**8. Means of Communication :**
**Quarterly Results**

Qtr. Ended	Newspaper published in	Web-site address	Whether it displays Official releases	Presentation to Inst. Investors & to Analysts
31.12.2002	Business Standard & Hindustan	www.sqlstarintl.com	Yes	No
31.03.2003	Business Standard & Hindustan	www.sqlstarintl.com	Yes	No
30.06.2003	Business Standard & Hindustan	www.sqlstarintl.com	Yes	No
30.09.2003	Business Standard & Hindustan	www.sqlstarintl.com	Yes	No

Management Discussion and Analysis Report is given separately as a part of this Annual Report.

**9. General Shareholder Information**

AGM : Date and Time	May 27, 2004 at 9.30 a.m.
AGM : Venue	Santosh Mohan Dev Auditorium, Bipin Chandra Pal Memorial Bhawan, A - 81, Chittaranjan Park, New Delhi - 110 019
Financial Calendar	January to December
Date of Book closure	Monday : May 17, 2004
Dividend Payment Date	No dividend was paid for the year 2003
Mode of Dividend Payment	N. A.
Listing on Stock Exchanges	The Stock Exchange, Mumbai The Delhi Stock Exchange Association Limited The Hyderabad Stock Exchange Limited
Stock Code	532249 at BSE; 19630 at DSE



Registrar and Transfer Agents (RTA)

Karvy Consultants Limited  
 "Karvy House", 46, Avenue 4, Street No. 1, Banjara Hills,  
 Hyderabad – 500 034. Phone – 040-23312454, 23376715. Fax – 040-23311968

Share Transfer System

Share Transfer Deeds (TD) are received at the registered office of the company as well as directly at RTA's office. RTA does the verification and processing of TDs. A Committee of Directors is authorised to approve share transfers. In order to comply with the requirement of SEBI circular Nos.SMD/POLICY/CIR-10/02 dated May 07, 2002 to effect transfer of shares within one month, the RTA has also been authorised to process, approve and effect transfer of shares on behalf of the Company at fortnightly intervals. The share certificates duly endorsed for transfer are returned to shareholders within stipulated time of 30 days.

Dematerialization of shares and liquidity

Share of SQL Star International Limited came under "Compulsory Demat Trading" category with effect from August 28, 2000.

Market Price Data : High, Low during each month in current financial year

Months	High	Low	Volume
January 2003	8.95	7.05	55,552
February 2003	8.80	7.05	65,258
March 2003	7.20	4.10	1,86,100
April 2003	6.00	4.10	59,275
May 2003	6.40	4.70	1,06,920
June 2003	12.45	6.55	8,37,165
July 2003	10.22	7.90	3,94,181
August 2003	8.70	7.00	4,23,075
September 2003	8.28	7.00	1,76,325
October 2003	7.38	5.75	1,06,369
November 2003	6.99	5.71	4,23,924
December 2003	13.99	7.52	25,45,086

Performance in comparison to broad-based indices such as BSE Sensex, BSE-IT index etc. (at the end of the month).

Months	BSE Sensex	BSE I T	Stock Price
January 2003	3,250.38	1,464.53	7.10
February 2003	3,283.66	1,504.00	7.55
March 2003	3,048.72	1,311.08	4.10
April 2003	2,959.79	999.92	4.80
May 2003	3,180.75	966.50	5.85
June 2003	3,607.13	1,140.72	10.39
July 2003	3,792.61	1,195.72	8.09
August 2003	4,244.73	1,323.02	8.70
September 2003	4,453.24	1,517.89	7.29
October 2003	4,906.87	1,622.47	5.75
November 2003	5,044.82	1,808.42	6.81
December 2003	5,838.96	2,073.05	12.18

**Shareholding Details:**

Categories of Shareholders

Category	Percentage Holding
Promoters, their family & Associates (Promoter Group)	46.57
Venture Capital Partner	5.04
SQL ESOP Trust	1.18
N R Is and O C Bs	0.78
Indian Financial Institutions/ FIs/ Mutual Funds	0.55
Indian Corporate Bodies & Investment Companies	7.11
Public	38.77
<b>Total</b>	<b>100.00</b>

Distribution of Shareholding

Nos. of Equity Shares held	No. of Shares	No. of Shareholders
more than 1 Lac shares	5975980	18
50000 or more but less than 1 Lac shares	926177	14
20000 or more but less than 50000 shares	604130	19
10000 or more but less than 20000 shares	527818	43
5000 or more but less than 10000 shares	741972	119
3000 or more but less than 5000 shares	565293	155
2000 or more but less than 3000 shares	565840	249
1000 or more but less than 2000 shares	991828	826
500 or more but less than 1000 shares	858166	1438
200 or more but less than 500 shares	930945	3669
100 or more but less than 200 shares	739259	7297
50 or more but less than 100 shares	19609	368
less than 50 shares	8180	1822
NSDL Transit (Lying in broker's a/c. pending transfer to client a/c.)	64803	
<b>Total</b>	<b>13520000</b>	<b>16037</b>

Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

Not Applicable

Plant Locations

Information on Software Development Centres and Training Centres is part of the Annual Report.

Registered Office	3 <sup>rd</sup> Floor, Andhra Association Building 24–25, Institutional Area, Lodhi Road, New Delhi–110 003. Ph.: 011–2460 1539, 2460 2904; Fax: 011–2460 1597.
Corporate Office, Hyderabad	"SQL House" 13–Infocity, Madhapur Hyderabad–500 033. Ph.: 040–2310 1600 to 2310 1603; Fax: 040–2310 1608
Corporate Office, New Delhi	A–38 B, Kailash Colony New Delhi–110 048. Ph.: 011–2622 4047, 2622 5847; Fax: 011–2622 4175.

# Auditors' Report

To,

The Members of SQL Star International Ltd.

We have audited the attached Balance Sheet of M/s. **SQL Star International Limited** as at 31<sup>st</sup> December, 2003 and also the Profit & Loss Account for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion and report that :-

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of such books.
- (c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
- (d) In our opinion the Profit & Loss Account and the Balance Sheet comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
- (e) Based on representations made by all the Directors of the Company and information and explanations as made available, Directors of the Company do not prima facie have any disqualification as referred to in clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit & Loss Account read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-
  - i) In so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> December, 2003 and
  - ii) In so far as it relates to the Profit & Loss Account, of the profit of the Company for the year ended on that date.

As required by the Manufacturing and other Companies (Auditors' Report) Order 1988, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 we further report that :-

- (i) The Company had maintained the Fixed Assets records showing full particulars including quantitative details and locations thereof. We have been explained that the major Fixed Assets have been physically verified during the year by the management. No discrepancy has been observed during such physical verification as compared to the details of Fixed Assets kept by the Company for the purpose of depreciation.
- (ii) None of the fixed assets have been revalued during the year.
- (iii) The stocks of books & materials have been physically verified by the Management at reasonable intervals.
- (iv) In our opinion the procedure and frequency of verification is reasonable in relation to size of the company and nature of its business.
- (v) The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of accounts.
- (vi) In our opinion, the valuation of Stocks is fair and proper in accordance with the normally accepted accounting principles.
- (vii) The Company has taken unsecured loan from Companies, Firms or other parties listed in the Register maintained under Section 301 and

370 (1-B) of the Companies Act, 1956, the details of which are given in note No.10 to the accounts.

- (viii) The Company has not granted any loans, secured or unsecured to Companies, Firms or other parties listed in the Register maintained under Section 301 and 370 (1-B) of the Companies Act, 1956.
- (ix) The parties to whom the loans, or advances in the nature of loans, have been given by the company are the employees and they are repaying the principal amounts as stipulated and have also been generally regular in the payment of interest, and repayment of loan wherever applicable.
- (x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of components, equipments and other assets.
- (xi) The Company has made purchases in excess of Rs. 50,000/- in value from firms or companies or other parties in which directors are interested as listed in the register maintained under Section 301 of the Companies Act, 1956, such purchases have been made at the prices which are reasonable having regard to prevailing market prices for such services or the prices at which transactions for similar services have been made with other parties.
- (xii) Clause XII is not applicable so it is not given.
- (xiii) The Company has not accepted deposit from public in accordance with the Provisions of Section 58A of the Companies Act, 1956.
- (xiv) Clause XIV is not applicable so it is not given.
- (xv) In our opinion the company has an adequate internal audit system commensurate with the size and nature of its business.
- (xvi) We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the activities of the Company.
- (xvii) According to the records of the Company, Provident Fund & Employees State Insurance dues have been regularly deposited during the year with the appropriate authorities.
- (xviii) There are no undisputed amounts of Excise Duty, Income Tax, Wealth Tax, Sales Tax or Custom Duty outstanding as on 31<sup>st</sup> December, 2003 for a period of more than six months from the date they became payable except Rs.11,37,835/- of TDS payable.
- (xix) According to information and explanations given to us and during the course of our examination of the books of account carried out in accordance with generally accepted auditing practices we have not come across any personal expenses which are charged to Profit & Loss Account other than those payable under contractual obligations or those in accordance with generally accepted business practices.
- (xx) The Company is not a sick industrial company within the meaning of the clause (o) of sub-section 1 of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- (xxi) The Company has a reasonable system of recording receipts, issues and consumption of material and stores and allocating materials consumed to the relative jobs, commensurate with its size and nature of its business.
- (xxii) The Company has a reasonable system of allocating man-hours utilised to the relative jobs, commensurate with its size and nature of its business.
- (xxiii) There is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the company and the nature of its business, on issue of stores and allocation of stores and labour to jobs.

For Arora Aggarwal & Associates  
Chartered Accountants

B.L. Aggarwal  
Proprietor

Place : New Delhi  
Date : 31st March, 2004



## Balance Sheet as at December 31, 2003

Amount in Rupees

SCHEDULE		As at December 31, 2003	As at December 31, 2002
<b>SOURCES OF FUNDS</b>			
<b>Share Holder's Funds</b>			
Share Capital	A	135,224,535	134,119,306
Reserves & Surplus	B	134,867,403	199,903,800
		270,091,938	334,023,106
<b>Loan Funds</b>			
Secured Loans	C	60,923,580	65,784,613
Unsecured Loans	D	6,914,127	11,919,795
		67,837,707	77,704,408
<b>TOTAL</b>		337,929,645	411,727,514
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	E	222,284,661	220,624,830
Less: Depreciation		79,540,095	64,391,002
Net Block		142,744,566	156,233,828
Capital Work in Progress (including advances on capital account)		12,192,126	16,726,937
		154,936,692	172,960,765
<b>TOTAL</b>		154,936,692	172,960,765
<b>Investments</b>			
<b>Current Assets, Loans &amp; Advances</b>	G		
Inventories		6,013,436	12,339,717
Sundry Debtors		123,404,447	166,315,390
Cash & Bank Balances		3,681,664	6,326,912
Loans & Advances		37,166,143	35,154,831
		170,265,690	220,136,850
<b>Less: Current Liabilities &amp; Provision</b>	H		
Current Liabilities		59,585,260	50,424,189
Provisions		21,084,622	21,131,464
		80,669,882	71,555,653
Net Current Assets		89,595,808	148,581,197
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	I	2,458,202	4,800,702
<b>TOTAL</b>		337,929,645	411,727,514
<b>Significant Accounting Policies</b>	O		
<b>Notes to the Accounts</b>	P		
<b>Balance Sheet Abstract and Company's General Business Profile</b>	Q		

The Schedules referred to above form an integral part of the Balance sheet. This is the Balance sheet referred to in our report of even date.

For Arora Aggarwal & Associates  
Chartered Accountants

B.L. Aggarwal  
Proprietor

Bijitendra Mohan Basu  
DGM Accounts

For and on behalf of the Board of Directors

Brij Kumar Tankha  
Director - Special Projects

Pradeep Gupta  
Director

Place : New Delhi  
Date : 31st March, 2004



## Profit & Loss Account for the Year Ended December 31, 2003

Amount in Rupees

SCHEDULE	Year ended December 31, 2003	Year ended December 31, 2002
<b>INCOME</b>		
Sales of Software and Services	180,534,020	196,227,397
Training Course Income	145,216,029	140,996,843
Other Income	J	1,107,646
<b>TOTAL</b>	<b>326,857,695</b>	<b>338,679,549</b>
<b>EXPENDITURE</b>		
Direct Expenses	K	160,943,545
Personnel Expenses	L	59,826,973
Other Expenses	M	78,090,110
Financial Expenses	N	9,740,100
Depreciation		16,129,741
<b>TOTAL</b>	<b>324,730,469</b>	<b>337,403,523</b>
<b>Profit for the year before taxation</b>	<b>2,127,226</b>	<b>1,276,026</b>
Provision for income tax	(28,642)	371,083
Deferred income tax	103,942	(143,838)
<b>Profit for the year after taxation</b>	<b>2,051,926</b>	<b>1,048,781</b>
Tax for previous year	(199,092)	709,234
Balance brought forward	72,663,460	72,323,913
<b>Amount available for appropriation</b>	<b>74,914,478</b>	<b>72,663,460</b>
<b>Appropriations</b>		
Debtors Written Off	56,894,105	—
Inventories Written Off	7,345,279	—
Capital Work in progress Written Off	3,048,031	—
<b>Balance carried to Balance Sheet</b>	<b>7,627,063</b>	<b>72,663,460</b>
<b>Earning per Share</b>		
Basic EPS	0.17	0.03
Diluted EPS	0.17	0.03
<b>Significant Accounting Policies</b>	O	
<b>Notes to the Accounts</b>	P	
<b>Balance Sheet Abstract and Company's General Business Profile</b>	Q	

The Schedules referred to above form an integral part of the Profit & Loss Account.  
This is the Balance sheet referred to in our report of even date.

For Arora Aggarwal & Associates  
Chartered Accountants

B.L. Aggarwal  
Proprietor

Bijitendra Mohan Basu  
DGM Accounts

For and on behalf of the Board of Directors

Brij Kumar Tankha  
Director - Special Projects

Pradeep Gupta  
Director

Place : New Delhi  
Date : 31st March, 2004



## Schedules Forming Part of the Accounts

Amount in Rupees

	As at December 31, 2003	As at December 31, 2002
<b>A ] SHARE CAPITAL</b>		
<b>Authorised</b>		
1,80,00,000 equity shares of Rs. 10/- each (1,80,00,000 equity shares of Rs. 10/- each)	180,000,000	180,000,000
<b>Issued Capital</b>		
1,35,20,000 equity shares of Rs. 10/- each (1,35,20,000 equity shares of Rs. 10/- each)	135,200,000	135,200,000
<b>Subscribed and Paid up Capital</b>		
1,19,74,853 equity shares of Rs. 10/- each, fully paid up in cash (1,19,74,853 equity shares of Rs. 10/- each fully paid up in cash)	119,748,530	119,748,530
15,45,147 equity shares of Rs. 10/- each fully paid up bonus shares by way of capitalisation of profit (15,45,147 equity shares of Rs. 10/- each fully paid up bonus shares by way of capitalisation of profit).	15,451,470	15,451,470
	135,200,000	135,200,000
Less : Calls in arrears Other than Directors	51,515	1,156,744
	135,148,485	134,043,256
Add :		
Call in arrears refundable	1,050	1,050
Forfeited Shares	75,000	75,000
<b>TOTAL</b>	<b>135,224,535</b>	<b>134,119,306</b>

## B ] RESERVES & SURPLUS

	As at December 31, 2002	Additions	Deductions	As at December 31, 2003
General Reserve	258,517			258,517
Share Premium Account	126,981,823			126,981,823
Surplus in Profit & Loss Account	72,663,460	2,251,018	67,287,415	7,627,063
<b>Total</b>	<b>199,903,800</b>	<b>2,251,018</b>	<b>67,287,415</b>	<b>134,867,403</b>

Amount in Rupees

	As at December 31, 2003	As at December 31, 2002
<b>C ] SECURED LOAN</b>		
<b>Working Capital Loans</b>		
State Bank of India	1	49,975,000
		49,674,279
<b>Medium Term Loans</b>		
State Bank of India	2&5	7,700,000
EXIM Bank	3&5	2,472,989
Hire purchase finance	4	775,591
		816,862
<b>TOTAL</b>	<b>60,923,580</b>	<b>65,784,613</b>

### Notes

- Fully secured by hypothecation of stocks and book debts, second charge on moveable and immovable fixed assets, first charge with Exim Bank ranking parri passu with term loan exposure, personal guarantee of five directors, assignment of LIC Policy of Mr. B.K. Tankha - Director Special Projects, and equitable mortgage of residential property of Dr. Ashok Agarwal - Director.
- Secured by parri passu charge with EXIM Bank on entire fixed assets of the company both movable and immovable, personal guarantee of five directors, extension of charge on current assets of the company, assignment of LIC policy of Mr. B.K.Tankha- Director Special Project and equitable mortgage of residential property of Dr. Ashok Agarwal - Director.
- Secured by first charge on assets both present and future, by way of mortgage on all immovable properties and hypothecation of all movable assets ranking parri passu with State Bank of India for its rupee term loan, personal guarantee of five directors.
- Secured by charge on respective assets and personal guarantee of Directors.
- Medium Term Loan payable within one year: Rs. 109.49 Lacs (previous year Rs. 132.09 Lacs).

Amount in Rupees

	As at December 31, 2003	As at December 31, 2002
<b>D ] UNSECURED LOAN</b>		
Corporate Loan	204,931	2,951,226
Directors	1,068,115	651,475
Other	5,641,081	850,000
13.5% Optionally Convertible Debentures	—	6,334,160
[Nil (previous Year 11311) Debenture of Rs. 560/- each fully paid up issued for a period of 18 months and interest payable thereon on half yearly basis].		
Interest accrued on 13.5% Optionally Convertible Debenture	—	1,132,934
<b>Total</b>	<b>6,914,127</b>	<b>11,919,795</b>

## E ] FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT	ADDI-	DEDUC-	AS AT	AS AT	FOR THE	DEDUC-	AS AT	AS AT	AS AT
	01.01.2003	TIONS	TIONS	31.12.2003	01.01.2003	YEAR	TIONS	31.12.2003	31.12.2003	31.12.2002
LAND	4,245,938	—	—	4,245,938	—	—	—	—	4,245,938	4,245,938
BUILDING	47,988,246	1,486,780	—	49,475,026	1,371,543	796,484	—	2,168,027	47,306,999	46,616,703
PLANT & MACHINERY	114,542,641	2,297,020	—	116,839,661	47,967,499	11,881,613	—	59,849,112	56,990,549	66,575,142
FURNITURE & FIXTURE	46,983,187	375,665	—	47,358,852	12,739,806	2,974,487	—	15,714,293	31,644,559	34,243,381
VEHICLE	6,864,818	263,984	2,763,618	4,365,184	2,312,154	477,157	980,648	1,808,663	2,556,521	4,552,664
<b>TOTAL</b>	<b>220,624,830</b>	<b>4,423,449</b>	<b>2,763,618</b>	<b>222,284,661</b>	<b>64,391,002</b>	<b>16,129,741</b>	<b>980,648</b>	<b>79,540,095</b>	<b>142,744,566</b>	<b>156,233,828</b>
<b>CAPITAL WORK IN PROGRESS (including advances on capital account)</b>									<b>12,192,126</b>	<b>16,726,937</b>
<b>Grand Total</b>									<b>154,936,692</b>	<b>172,960,765</b>
PREVIOUS YEAR	237,069,413	4,281,975	20,726,558	220,624,830	65,087,055	16,229,173	16,925,226	64,391,002	156,233,828	171,982,358

Amount in Rupees

	As at December 31, 2003	As at December 31, 2002
<b>F ] INVESTMENTS</b>		
Investments - Long term Unquoted		
TRADE :		
GOVERNMENT SECURITIES	5,000	5,000
National Savings Certificates VI Issue		
TRUST		
SQL ESOP Trust	10,000	10,000
Settlers amount		
BONDS		
State Bank of India	10,000	10,000
10 Floating Interest rate Bond in the form of Promissory Note of Rs. 1000/- each, fully paid up		
SUBSIDIARY COMPANIES		
International SQL Star Pte. Limited, Singapore		
400000 Equity Shares of S\$ 1.00 each, fully paid up.	10,360,475	10,360,475
SQL Star International Inc., U.S.A.		
16,05,00,000 Equity Shares of 1 cent each	74,999,375	74,999,375
SQL Star International Inc., UK		
32,280 Equity Share of 1 UKP each	5,554,016	—
Share Application Money of 1 UKP	77	—
<b>TOTAL</b>	<b>90,938,943</b>	<b>85,384,850</b>



Amount in Rupees

	As at December 31, 2003	As at December 31, 2002
<b>G ] CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>INVENTORIES</b>		
(As taken, verified, valued & certified by the management)		
Books & Course material	6,013,436	12,339,717
<b>TOTAL</b>	<b>6,013,436</b>	<b>12,339,717</b>
<b>SUNDRY DEBTORS</b>		
(Unsecured, Unconfirmed and Considered good)		
Debts exceeding 6 months	54,944,987	104,064,095
Other Debts	68,459,460	62,251,295
<b>TOTAL</b>	<b>123,404,447</b>	<b>166,315,390</b>
<b>CASH &amp; BANK BALANCES</b>		
Cash in hand	3,026,474	1,408,683
<b>Balance with Scheduled Bank</b>		
Current Account	655,190	4,918,229
<b>TOTAL</b>	<b>3,681,664</b>	<b>6,326,912</b>
<b>LOANS &amp; ADVANCES</b>		
(Unsecured and considered good)		
Advance recoverable in cash or in kind for which value to be received	11,852,380	12,310,003
Security deposits	14,765,161	14,261,130
Income Tax Refundable	3,213,341	1,758,622
Advance Income Tax	2,475,301	1,952,616
SQL ESOP Trust	4,859,960	4,872,460
<b>TOTAL</b>	<b>37,166,143</b>	<b>35,154,831</b>
<b>H ] CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	38,078,734	34,091,646
Deposits	2,620,080	139,495
Other Liabilities	18,604,485	13,413,305
Unclaimed Dividend	9,655	9,655
Advances from Customers	272,306	2,770,088
<b>TOTAL</b>	<b>59,585,260</b>	<b>50,424,189</b>
<b>PROVISIONS</b>		
Income Tax	154,679	305,463
Deferred Tax Liabilities	20,929,943	20,826,001
<b>TOTAL</b>	<b>21,084,622</b>	<b>21,131,464</b>





Amount in Rupees

	As at December 31, 2003	As at December 31, 2002
<b>I] MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)		
Preliminary Expenses	392,503	502,295
Add: incurred during the year	—	—
	<u>392,503</u>	<u>502,295</u>
Less: Written Off during the year	109,792	109,792
	<u>282,711</u>	<u>392,503</u>
Deferred Revenue Expenses	2,991,885	5,682,549
Add: incurred during the year	—	—
	<u>2,991,885</u>	<u>5,682,549</u>
Less: Written Off during the year	1,899,458	2,690,664
	<u>1,092,427</u>	<u>2,991,885</u>
Right Issue Expenses	1,416,314	40,382
Add: incurred during the year	—	1,625,870
	<u>1,416,314</u>	<u>1,666,252</u>
Less: Written Off during the year	333,250	249,938
	<u>1,083,064</u>	<u>1,416,314</u>
TOTAL	<u>2,458,202</u>	<u>4,800,702</u>

Amount in Rupees

	For the year ended December 31, 2003	For the year ended December 31, 2002
<b>J] OTHER INCOME</b>		
Interest on Deposit	91,561	39,418
Foreign Exchange Fluctuation	—	1,372,295
Miscellaneous Income	1,016,085	43,596
TOTAL	<u>1,107,646</u>	<u>1,455,309</u>

### **K] DIRECT EXPENSES**

Expenditure on Foreign Staff	121,023,624	135,391,586
Computer Hire Charges & Consumables	1,122,646	516,457
Books, Course material & Others	15,615,901	10,196,505
License Fees	—	10,417
Royalty	3,550,717	9,089,043
Training Fees	19,448,788	18,803,397
Data Link Expenses	181,869	66,667
TOTAL	<u>160,943,545</u>	<u>174,074,072</u>

### **L] PERSONNEL EXPENSES**

Salaries, Wages & Gratuity	56,349,853	61,189,072
Contribution to Provident and other funds	2,647,843	3,161,162
Staff Recruitment and Training	829,277	433,764
TOTAL	<u>59,826,973</u>	<u>64,783,998</u>





Amount in Rupees

	For the year ended December 31, 2003	For the year ended December 31, 2002
<b>M ] OTHER EXPENSES</b>		
Rents	12,699,092	14,105,509
Power and fuel	6,847,439	7,129,422
Rates and Taxes	224,957	179,883
Insurance	323,246	309,201
Repairs & Maintenance		
Office	3,615,204	3,780,647
Vehicles	1,765,779	2,238,137
Others	3,341,095	3,229,845
Hire Charges	265,005	104,597
Travel	8,526,627	7,638,643
Conveyance	1,502,446	1,686,794
Communication Expenses	5,355,189	5,020,097
Advertising and Business Promotion	5,923,862	7,192,092
Printing and Stationery	1,172,390	1,058,879
Consultancy Charges	9,564,710	3,386,618
Directors Sitting Fees	26,000	28,000
General Expenses	2,735,822	1,316,052
Loss on Sale of assets	848,469	398,258
Audit fees and expenses	103,680	89,250
Amortization of Miscellaneous expenditure	2,342,501	3,050,394
AGM Expenses	867,408	599,819
Registrars Expenses	220,183	230,386
Lease Rental	4,552,660	6,302,496
Membership & Subscription	623,651	579,188
Foreign Exchange Fluctuation	4,258,574	—
Books & Periodicals	384,121	559,844
<b>TOTAL</b>	<b>78,090,110</b>	<b>70,214,051</b>

## N ] FINANCIAL EXPENSES

Interest paid to:		
Banks/Financial Institution on		
Mediun Term Loan	1,868,272	2,382,884
Working Capital Loan	6,314,907	6,652,316
	8,183,179	9,035,200
Others		
Hire Purchases	74,897	143,603
13.5% Optionally Convertible Debentures	60,431	1,369,248
Others	997,501	1,125,327
	1,132,829	2,638,178
Bank Charges	424,092	428,851
<b>TOTAL</b>	<b>9,740,100</b>	<b>12,102,229</b>

## O] SIGNIFICANT ACCOUNTING POLICIES

### i) Accounting Convention

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentational requirements of the Companies Act 1956.

### ii) Inventories

Stock of Courseware is valued at cost which is the purchase price and not being a trading item, it will be consumed in due course of business.

### iii) Fixed Assets and Depreciation

Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, installation expenses and other incidental expenses.

Depreciation on fixed assets is provided on a pro-rata basis at SLM rates prescribed in Schedule XIV to the Companies Act 1956.

**iv) Foreign Currency Transactions**

Foreign currency liabilities incurred for the acquisition of fixed assets are translated at exchange rate prevailing on the last working day of the accounting year. The net variation arising out of the said translation is adjusted to the cost of the fixed assets.

Current assets and current liabilities are restated at the exchange rate prevailing on the date of the balance sheet and the difference between the year end rate and the exchange rate at the date of the transaction is recognised as income or expenditure, as the case may be, in the profit and loss account.

**v) Investments**

Investments are valued at cost.

**vi) Retirement Benefits**

Gratuity is paid on actual basis as per the provisions of Payment of Gratuity Act 1972 and charged to revenue in the year of payment.

**vii) Segment Reporting**

The company has an accounting policy of preparing and presenting its financial statements in software and education segments and reporting the same accordingly wherever required.

**viii) Lease**

The company has no new lease during the year so no disclosure is required during the year.

**ix) Earning Per Share**

Basic/diluted earning per share is calculated by dividing the net earning available to the equity share holders by the number of equity shares outstanding during the year.

Amount in Rupees

	Year ended December 31, 2003	Year ended December 31, 2002
--	---------------------------------	---------------------------------

**P] NOTES TO THE ACCOUNTS**

1) Estimated amount of contracts remaining to be executed on capital and not provided	NIL	NIL
2) Contingent Liabilities not provided for Guarantees given by the Company	17,53,100	19,72,680
3) CIF Value of Imports Capital Goods	Nil	Nil
4) Expenditure in foreign currency (on cash basis) Expenditure on Foreign Staff Foreign Travel Dividend I-Net Charges Consultancy Charges Books & Material Student Fee	12,10,23,624 29,70,912 Nil Nil Nil 8,00,800 1,89,93,681	13,53,91,586 35,34,666 Nil Nil 78,528 26,72,260 1,74,51,564
5) Earnings in foreign exchange Sale of Software and Services Training	14,24,45,162 72,19,816	17,24,78,165 56,27,844
6) Directors remuneration Salaries and Benefits Sitting fees Consultancy charges	12,88,646 26,000 3,00,000	16,02,042 28,000 75,000
7) Auditors remuneration Audit Fees Fees for other services Reimbursement of expenses	1,03,680 61,136 Nil	89,250 19,920 Nil
8) Capital work in progress of Rs. Nil (Previous year Rs. 14,86,780) is in respect of building construction work in progress at Madhapur, Hyderabad and other projects Rs 1,21,92,126 (Previous year Rs. 1,52,40,157) pertaining to development of various software projects. There had been no expenditure on this account for last two years. Since the Company is unlikely to invest further, it was decided to write off Rs. 30,48,031 during the year.		
9) The company has incurred expenditure on development of business in the previous years, which in the opinion of the directors will benefit the company in the future years. This expenditure has been capitalised and grouped under miscellaneous expenditure and will be amortized over the subsequent years based on the estimated benefit derived in each year.		
10) The company has availed loan from directors, family members and relatives or the companies in which one or more directors of the company are director :-		





Amount in Rupees

	Year ended December 31, 2003	Year ended December 31, 2002
Agarwal Finance Corporation	2,04,931	29,51,226
Mr. Yogesh Jain	2,00,000	2,00,000
Dr Ashok Kumar Agarwal	4,51,475	4,51,475
Ms. Deepa Agarwal	24,82,352	Nil
Mr. Pradeep Gupta	4,16,640	Nil
Ms. Janet E Mellor	7,61,121	Nil
Mr. Rakesh Chandra	15,50,413	Nil
Mr. K Sankar	8,47,195	8,50,000
11) The company has done business exceeding Rs. 50,000/- from companies in which one or more directors of the company are director:-		
ACS Technologies	Nil	23,19,356
Cyber India Online Ltd.	44,766	1,26,000
Cyber Media India Limited	62,000	16,500
The price paid for such products/services are reasonable as compared to such products/services supplied by other parties.		
12) 13.5% OCDs of Rs. 23,49,200/- were issued to American Diagnostic Lab subject to approval of RBI. In the absence of approval from RBI, these are outstanding and are shown as other Liabilities.		
13) The debtors include amounts outstanding as at balance sheet date from the companies in which one or more directors of the company are director in the company and from the subsidiary Companies :-		
	Exceeding 6 Months	Others
I & C S Limited, UK	1,16,88,287	7,26,028
SQL Star International Inc., USA	Nil	4,78,00,724
International SQL Star Pte Ltd.	Nil	3,44,997
14) A sum of Rs. 6,72,87,416.19 was appropriated from Reserve & Surplus being surplus in the 'Profit and Loss A/c' during the year and has been adjusted on account of Bad and Doubtful Debts Rs. 5,69,94,105.99, Inventories Rs. 73,45,277/- and Capital Work in Progress Rs. 30,48,031.20.		
15) The Insurance claim receivable of Rs. 3,58,445/- on New India Assurance Co Ltd. is still under dispute and a case is pending before National Consumer Dispute Redressal Commission, Delhi		
16) Advance Income Tax of Rs. 2,96,380/- is disputed in assessment, and is under Appeal relating to amalgamation of International Systems Services Ltd.		
17) The company has provided Deferred Tax Liabilities of Rs. 1,03,942 for current year (Previous Year Deferred Tax Assets Rs. 1,43,838/-) from its revenue as per the Accounting Standard 22.		
18) Stock of Courseware not being a trading item, it will be consumed in due course of business.		

19) **Related Party Disclosure**

**Related Parties**

SQL Star International Inc.  
International SQL Star Pte. Ltd  
Mr. Brij Kumar Tankha, Director – Special Projects  
Mr. Pradeep Shenoy, Chief Executive Officer  
Dr. Ashok Kumar Agarwal  
Ms. Deepa Agarwal-Wife of Dr. A. K. Agarwal  
Ms. Ekta Agarwal-Daughter of Dr. A. K. Agarwal  
M/s Aggarwal Finance Corp.-  
firm of Dr. A. K. Agarwal's brother  
Dr. Kishore BV Buddhiraju  
Mr. Pradeep Gupta  
Mr. Satish Arora  
Ms. Janet E Mellor-Wife of Mr. Satish Arora  
Mr. Yogesh Jain

**Relationships**

Subsidiary Company  
Subsidiary Company  
Key Management Personnel  
Key Management Personnel  
Director  
Relative of Director  
Relative of Director  
Relative of Director  
Director  
Director  
Director  
Relative of Director  
Director

**Details of Transaction with related party\***

**Nature of relationship/transaction**

	Subsidiary	Rs. Lacs Key Mgmt. Person	Director/Relative
Sale of services-SQL USA	1331		
Sale of services-ISS, Singapore	166		
Sale of services			4.38
Loan received			45.46
Loan Repayments			39.75
Interest paid on loans			7.53
Loan outstanding			45.96
Remuneration			
Salaries		12.89	
Sitting Fees		0.26	
Consultancy Chg.		3.00	

\* Transactions have been entered into in the ordinary course of business at current/prevaling market rates.

- 20) The Company has invested in 32,280 equity shares of one pound each at a premium of 1.25 UKP in SQL Star International Ltd., UK after converting equivalent value from its receivables from I & C S, UK, as per R.B.I. approval.
- 21) Previous year's figures have been regrouped wherever necessary to correspond with current year figures.

As per our report of even date attached.

For Arora Aggarwal & Associates

Chartered Accountants

B.L. Aggarwal

Proprietor

Place : New Delhi

Date : 31st March, 2004

Bijitendra Mohan Basu  
DGM Accounts

Brij Kumar Tankha  
Director - Speical Projects

Pradeep Gupta  
Director

For and on behalf of the Board of Directors

## Q] Balance Sheet Abstract and Company's General Business Profile

INFORMATION REQUIRED AS PER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

### 1. Registration Details :

Registration No. :   
 State Code :   
 Balance Sheet Date :   
 Date Month Year

### 2. Capital Raised During The Year (Amount in Rs. Thousands)

Public Issue :   
 Right Issue :   
 Bonus Issue :   
 Private Placement :

### 3. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities :   
 Total Assets :

#### Source Of Funds

Paid-Up Capital :   
 Reserves & Surplus :   
 Secured Loans :   
 Unsecured Loans :

#### Application Of Funds

Net Fixed Assets :   
 Investments :   
 Net Current Assets :   
 Misc. Expenditure :   
 Accumulated Losses :

### 4. Performance of the Company (Amount in Rs. Thousands)

Turnover :   
 Total Expenditure :   
 Profit/Loss before Tax :   
 Profit/Loss after Tax :

+ -

+ -

(Please tick Appropriate Box + for Profit, - for Loss)

Earning per Share in Rs. :   
 Dividend Rate % :

### 5. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)

Item Code No. (ITC Code) :   
 Product Description :   
 Item Code No. (ITC Code) :   
 Product Description :

For Arora Aggarwal & Associates  
Chartered Accountants

For and on behalf of the Board of Directors

B.L. Aggarwal  
Proprietor

Bijendra Mohan Basu  
DGM Accounts

Brij Kumar Tankha  
Director - Speical Projects

Pradeep Gupta  
Director

Place : New Delhi  
Date : 31st March, 2004



## Cash Flow Statement for the Year Ended December 31, 2003

	31.12.2003	Rs. in lakhs 31.12.2002
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before tax	21.27	12.76
<b>Adjustments for :</b>		
Depreciation	161.30	162.29
Exchange Difference	42.59	-13.72
(Increase)/Decrease in Misc. Exp. not yet W/o	23.43	14.24
(Profit)/Loss on Sale of Fixed Assets	8.49	3.98
Interest Paid	97.40	121.02
<b>Operating profit before working capital changes</b>	<b>354.48</b>	<b>300.57</b>
<b>Adjustments for :</b>		
(Increase)/Decrease in Sundry Debtors	-139.83	69.20
(Increase)/Decrease in Inventories	-10.18	-10.17
(Increase)/Decrease in Loan and Advances	-20.11	62.18
Increase/(Decrease) in Current Liabilities & Provision	91.14	72.09
<b>Cash generated from operations</b>	<b>275.50</b>	<b>493.87</b>
Interest paid	-97.40	-121.02
Direct Taxes Paid	1.24	-9.36
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>179.34</b>	<b>363.49</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Fixed Assets	-29.37	-42.82
Proceeds From Sale of Fixed Assets	9.32	34.03
Purchase of Investments	-55.54	-361.88
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-75.59</b>	<b>-370.67</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	11.05	300.44
Increase/(Decrease) in borrowings	-98.66	-282.64
Tax on Dividend Reverse/Dividend Paid	0.00	0.00
Exchange Difference	-42.59	13.72
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>-130.20</b>	<b>31.52</b>
<b>NET CASH FLOWS DURING THE YEAR (A+B+C)</b>	<b>-26.45</b>	<b>24.34</b>
<b>CASH &amp; CASH EQUIVALENTS OPENING BALANCE</b>	<b>63.27</b>	<b>38.93</b>
<b>CASH &amp; CASH EQUIVALANTS CLOSING BALANCE</b>	<b>36.82</b>	<b>63.27</b>

For and on behalf of the Board of Directors

Place: New Delhi  
Date: 31st March, 2004

Bijitendra Mohan Basu  
DGM Accounts

Brij Kumar Tankha  
Director - Speical Projects

Pradeep Gupta  
Director

### AUDITORS' CERTIFICATE

We have certified the above Cash Flow Statement of SQL Star International Limited derived from the audited financial statements for the year ended December 31, 2003 and other records maintained in the ordinary course of business and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the Listing Agreement with the Stock Exchanges.

For Arora Aggarwal & Associates  
Chartered Accountants

Place: New Delhi  
Date: 31st March, 2004

B.L. Aggarwal  
Proprietor



## Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

1. Name of Subsidiary	International SQL Star Pte. Ltd. Singapore	SQL Star International, Inc. US	SQL Star International Ltd. UK
2. Financial year of the Subsidiary	31st December, 2003	31st December, 2003	31st December, 2003
3. Share of the Subsidiary held by SQL Star International Ltd. on the above date			
a) Number of shares and face value	4,00,000 Equity Shares of S\$ 1 each fully paid-up	16,05,00,000 Equity shares of US\$ 0.01 each fully paid-up	32,280 Equity share of UKP 1 each fully paid-up
b) Extent of Holding	100%	100%	32%
4. Net aggregate amount of Profit/ (Loss) of the Subsidiary so far as they concern the members of SQL Star International Ltd.			
a) Dealt with in the accounts of SQL Star International Limited for the year ended 31st December, 2003.	NIL	NIL	NIL
b) Not dealt within the accounts of SQL Star International Limited for the year ended 31st December, 2003	S \$ 12,530/-	(US\$ 9,76,736/-)	(UKP 2,065/-)
5. Net aggregate amount of Profit/ (Loss) for previous financial years of the Subsidiary since it became Subsidiary so far as they concern members of SQL Star International Limited			
a) Dealt with in the accounts of SQL Star International Ltd. for the year ended 31st December, 2003.	NIL	NIL	NIL
b) Not dealt with in the accounts of SQL Star International Limited for the year ended 31st December, 2003.	(S \$ 1,21,781/-)	(US \$ 10,19,876/-)	0

By order of the Board of Directors

Place: New Delhi  
Date: 31st March, 20034

Bijitendra Mohan Basu  
DGM - Accounts

Brij Kumar Tankha  
Director - Special Projects

Pradeep Gupta  
Director



## Wholly Owned Subsidiaries

### CORPORATE DATA

#### **SQL Star International, Inc.**

*(Incorporated in Delaware, USA)*

Directors	Ashok Kumar Agarwal Brij Kumar Tankha
Executive Director	Pradeep Shenoy
Corporate Office	1265, El Camino Real Suite 206 Santa Clara CA 95050
Certified Public Accountant	Raj Kanakraj

#### **International SQL Star Pte. Ltd.**

*(Incorporated in Singapore)*

Directors	Ashok Kumar Agarwal Lek Peng Yong Brij Kumar Tankha
Secretary	Helen Thomas
Registered Office	80 Raffles Place # 25-01 UOB Plaza 1 Singapore 048624
Auditors	P G Wee & Partners

#### **SQL Star International Ltd.**

*(Incorporated in Surrey, UK)*

Directors	S K Arora J E Mellor P P Shenoy
Secretary	I&CS Limited
Registered Office	Granite House 55-61 Frimley High Street Frimley Surrey GU16 7HJ
Registered Number	2122878 (England and Wales)
Accountants	Hawkins Scott



# SQL Star International, Inc. USA

*Annual Report 2003*

## Independent Auditor's Report

To  
The Board of Directors  
SQL Star International, Inc.  
Santa Clara, California

I have reviewed the accompanying balance sheet of SQL Star International, Inc. (A Corporation) as of December 31, 2003 and the related statements of income and retained earnings and cash flows for the twelve months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of SQL Star International, Inc.

A review consists of principally of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Raj Kanakraj  
Certified Public Accountant

Place : Newark, California  
Date : March 16, 2004



SQL Star International, Inc.

## Balance Sheet as at December 31, 2003

	2003		2002	
	US\$	INR	US\$	INR
<b>ASSETS</b>				
CURRENT ASSETS				
Cash	0	0	0	0
Account Receivable-Trade, Net of Provision for Doubtful Debts of \$78,818	465,258	20,261,986	849,288	40,978,146
Advances and Deposits- Others	190,230	8,284,517	509,550	24,585,788
Total Current Assets	<u>655,488</u>	<u>28,546,502</u>	<u>1,358,838</u>	<u>65,563,934</u>
FIXED ASSETS, at Cost Net of Accumulated Depreciation (Note 2)				
	43,703	1,903,265	68,468	3,303,581
MARKETABLE SECURITIES, at Fair Value (Note 3)				
	433,152	18,863,770	433,152	20,899,584
INTANGIBLE ASSETS, SOFTWARE, Net of Accumulated Amortization				
			80,704	3,893,968
Total Assets	<u>1,132,343</u>	<u>49,313,537</u>	<u>1,941,162</u>	<u>93,661,067</u>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>				
CURRENT LIABILITIES				
Accounts Payables and Accruals	347,931	15,152,395	337,726	16,295,280
Payable to SQL Star International Ltd. the Parent Company in India (Note 4)	783,518	34,122,209	654,912	31,599,504
Notes payable-Short Term (Note 5)	392,506	17,093,636	363,400	17,534,050
Total Current Liabilities	<u>1,523,955</u>	<u>66,368,240</u>	<u>1,356,038</u>	<u>65,428,834</u>
STOCK HOLDER'S EQUITY				
Common Stock (Note 6)	1,605,000	69,897,750	1,605,000	77,441,250
Retained Earnings	(1,996,612)	(86,952,453)	(1,019,876)	(49,209,017)
Total Stockholder's Equity	<u>(391,612)</u>	<u>(17,054,703)</u>	<u>585,124</u>	<u>28,232,233</u>
Total Liabilities and Stockholder's Equity	<u>1,132,343</u>	<u>49,313,537</u>	<u>1,941,162</u>	<u>93,661,067</u>

The accompanying notes are integral part of these financial statements

Conversion Rate of US\$ 1 = 43.55 on 31st December, 2003 (Previous Year US\$ 1 = 48.25)

# Statement of Income, Expenses and Retained Earnings

## Year Ended December 31, 2003

	2003		2002	
	US\$	INR	US\$	INR
<b>REVENUE</b>				
Consulting Income	4,508,722	196,354,843	4,586,204	221,284,343
<b>OPERATING COSTS AND EXPENSES</b>				
Bad Debt Expense	467,038	20,339,505	168,892	8,149,039
Depreciation and Amortization	4,665	203,161	41,419	1,998,467
Employee Recruiting Expense	0	0	0	0
Insurance	143,777	6,261,488	140,089	6,759,294
Legal and Accounting	250,764	10,920,772	129,928	6,269,026
Marketing Expense	18,132	789,649	3,532	170,419
Miscellaneous Expenses	28,322	1,233,423	42,214	2,036,826
Office Expense	21,249	925,394	12,057	581,750
Outside Services	982,617	42,792,970	562,100	27,191,325
Rent	94,606	4,120,091	107,229	5,173,799
Salaries and Benefits	2,441,102	106,309,992	2,656,297	128,166,330
Services provided by SQL Star International Ltd., (the Parent Company)	614,632	26,767,224	553,940	26,727,605
Taxes - Payroll and Others	210,664	9,174,417	228,668	11,033,231
Telephone	30,550	1,330,453	36,557	1,763,875
Travel Expense	138,822	6,045,698	117,038	5,647,084
Utilities	0	0	0	0
Total Costs and Expenses	<u>5,446,940</u>	<u>237,214,237</u>	<u>4,799,960</u>	<u>231,598,070</u>
Operating Income (Loss) Before Taxes	<u>(938,218)</u>	<u>(40,859,394)</u>	<u>(213,756)</u>	<u>(10,313,727)</u>
<b>OTHER INCOME (EXPENSE)</b>				
Interest Expense	(37,718)	(1,642,619)	(31,123)	(1,501,685)
Provision for Taxes	(800)	(34,840)	(800)	(38,600)
Total Other Income (Expenses)	<u>(38,518)</u>	<u>(1,677,459)</u>	<u>(31,923)</u>	<u>(1,540,285)</u>
Net Income (Loss)	<u>(976,736)</u>	<u>(42,536,853)</u>	<u>(245,679)</u>	<u>(11,854,012)</u>
<b>BEGINNING RETAINED EARNINGS</b>	<u>(1,019,876)</u>	<u>(44,415,600)</u>	<u>(774,197)</u>	<u>(37,355,005)</u>
<b>ENDING RETAINED EARNINGS</b>	<u>(1,996,612)</u>	<u>(86,952,453)</u>	<u>(1,019,876)</u>	<u>(49,209,017)</u>

The accompanying notes are integral part of these financial statements

Conversion Rate of US\$ 1 = 43.55 on 31st December, 2003 (Previous Year US\$ 1 = 48.25)

## Statement of Cash Flows for the year ended December 31, 2003

	2003		2002	
	US\$	INR	US\$	INR
Cash Flows from Operating Activities				
Cash Received from Customers	4,989,597	217,296,949	4,519,895	218,084,934
Cash Paid to Suppliers and Employees	(4,984,144)	(217,059,471)	(5,250,204)	(253,322,343)
Net Interest paid	(37,718)	(1,642,619)	(31,123)	(1,501,685)
Income Taxes Paid	(800)	(34,840)	(800)	(38,600)
Net Cash Provided by Operating Activities	<u>(33,065)</u>	<u>(1,439,981)</u>	<u>(762,232)</u>	<u>(36,777,694)</u>
Cash Flow from Investing Activities				
Fixed Asset Purchases	3,959	172,414	(916)	(44,197)
Investment in Marketable Securities	0	0	0	0
Cash Flow Used by Investing Activities	<u>3,959</u>	<u>172,414</u>	<u>(916)</u>	<u>(44,197)</u>
Cash Flows from Financing Activities				
Increase in Note Payable	29,106	1,267,566	(22,100)	(1,066,325)
Increase in Share Capital	—	—	750,000	36,187,500
Cash Flows provided by Financing Activities	<u>29,106</u>	<u>1,267,566</u>	<u>727,900</u>	<u>35,121,175</u>
Net Increase (Decrease) in Cash	0	0	(35,248)	(1,700,716)
Cash on January 1, 2003	0	0	35,248	1,700,716
Cash on December 31, 2003	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

### RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Income	(976,736)	(42,536,853)	(245,679)	(11,854,012)
Adjustments to reconcile net income to net cash provided by operating activities :				
Depreciation and Amortization	4,665	203,161	41,419	1,998,467
(Increase) Decrease in Accounts Receivable	480,875	20,942,106	(66,309)	(3,199,409)
(Increase) Decrease in Prepayments	0	0	0	0
(Increase) Decrease in Deposits and Advances	319,320	13,906,386	11,501	554,923
Increase (Decrease) in Accounts Payable	10,205	444,428	103,017	4,970,570
Increase (Decrease) in Inter-Company Payable	128,606	5,600,791	(606,181)	(29,248,233)
Cash Provided by Operating Activities	<u>(33,065)</u>	<u>(1,439,981)</u>	<u>(762,232)</u>	<u>(36,777,694)</u>

The accompanying notes are integral part of these financial statements.

Conversion Rate of US\$ 1 = 43.55 on 31st December, 2003 (Previous Year US\$ 1 = 48.25)

## Notes to Financial Statements for the year ended December 31, 2003

### NOTE 1:

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of SQL Star International, Inc., (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

#### BUSINESS ACTIVITY

The Company is a Delaware corporation organized pursuant to the general corporation laws of the State of Delaware and is engaged in the business of software development and on-site contracting services. The Company is a wholly owned subsidiary of SQL Star International Ltd., a company registered and incorporated in India.

#### BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting. Incomes are recognized as earned and expenses are recognized as incurred. In preparing these financial statements, the management uses estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and

liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

#### INVESTMENTS

The Company classifies its marketable debt and equity securities as available for sale. Securities classified as available for sale are carried in the financial statements at fair value. Realized gains and losses, determined using the first-in, first-out (FIFO) method, are included in earnings; unrealized holding gains and losses are reported in other comprehensive income.

#### PROPERTY AND EQUIPMENT

Property and equipment are stated on the basis of cost. Depreciation is computed by the straight-line methods in amounts sufficient to amortize the costs of the assets over their useful lives.

For federal income tax purposes, depreciation is computed using the accelerated cost recovery system and the modified accelerated cost recovery system. Expenditures for maintenance and repairs are charged to expense as incurred.

#### INCOME TAXES

The Company is liable for federal and State income tax. Proper provision has been made in the books for the tax liability.

### NOTE 2:

#### FIXED ASSETS

Fixed assets as of December 31, 2003 consist of the following :

Description	2003		2002	
	US \$	INR	US \$	INR
Furniture & Fixtures	30,890	1,345,260	31,388	1,506,624
Computers	92,005	4,006,818	95,466	4,582,368
	<b>122,895</b>	<b>5,352,077</b>	<b>126,854</b>	<b>6,088,992</b>
Accumulated Depreciation	(79,192)	(3,448,812)	(58,386)	(2,802,528)
	<b>43,703</b>	<b>1,903,266</b>	<b>68,468</b>	<b>3,286,464</b>

### NOTE 3:

#### MARKETABLE SECURITIES

Cost and fair value of marketable securities as at December 31, 2003 is as follows :

December 31, 2003	Amortized Cost	Gross Realized Gain	Gross Unrealized Gain	Fair Value
Available for Sale :	\$	\$	\$	\$
- Equity Securities	433,152	—	—	433,152
- Debt Securities	—	—	—	—
<b>Total</b>	<b>433,152</b>	<b>—</b>	<b>—</b>	<b>433,152</b>



NOTE 4:

**PAYABLE TO SQL STAR INTERNATIONAL LTD.**

The Company receives from SQL Star International Ltd., the parent company services for recruiting and training of employees for placement in USA. The amount of such services in 2003 was

\$ 614,632 (\$ 553,940 in 2002). The amount owed to the parent company as of December 31, 2003 was \$ 783,518 (\$ 674,912 as of December 31, 2002).

NOTE 5:

**SHORT TERM NOTES PAYABLE**

The short-term notes payable as of December 31, 2003 are :

	2003		2002	
	US \$	INR	US \$	INR
Unsecured loans at 9% per annum from different individuals payable on demand	392,506	17,093,636	363,400	17,443,200
	<u>392,506</u>	<u>17,093,636</u>	<u>363,400</u>	<u>17,443,200</u>

NOTE 6:

**SHAREHOLDER'S EQUITY**

The Company's authorized capital is 200,000,000 common shares at the par value of one cent each. The Company's issued and subscribed capital is 160,500,000 common shares all of which are

owned by its parent company in India, SQL Star International Limited.

NOTE 7:

**Commitments:**

Operating Leases:

The Company leases its operating facilities. The minimum future lease payments as of December 31, 2003 were as follows :

Calender Year	US \$
2004	40,800
2005	40,800
2006	40,800

# International SQL Star Pte. Ltd., Singapore

## Annual Report 2003

### Report of the Directors

The directors present their report to the members together with the audited accounts of the Company for the year ended 31st December, 2003.

1. **Directors** The directors in office at the date of this report are :  
Ashok Kumar Agarwal  
Lek Peng Yong  
Brij Kumar Tankha
2. **Arrangements to enable directors to acquire shares or debentures** Neither at the end of nor at any time during the financial year was the company a party to any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisitions of shares or debentures of the company or any other body corporate.
3. **Directors' interest in shares or debentures** None of the directors holding office at the end of the financial year have interests in the share capital of the company as recorded in the register of directors' shareholdings.
4. **Director's contractual benefits** Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the company with the director or with a firm in which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the accounts.
5. **Options granted** During the year, no option to take up unissued shares of the company has been granted.
6. **Options exercised** During the year, no shares have been issued by virtue of the exercise of an option to take up unissued shares.
7. **Options outstanding** At the end of the year, no unissued shares of the company have been under option.
8. **Auditors** P G Wee & Partners have expressed their willingness to accept reappointment.

On behalf of the Directors

Brij Kumar Tankha  
Director

Lek Peng Yong  
Director

Singapore, 13th January 2004

### Statement by Directors

In the opinion of the directors, the accompanying balance sheet, profit and loss account and statement of changes in equity together with the notes thereon are drawn up so as to give a true and fair view of the state of affairs of the company as at 31st December, 2003 and of the results of the business, and changes in equity of the company for the year then ended and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the Directors

Brij Kumar Tankha  
Director

Lek Peng Yong  
Director

Singapore, 13th January 2004

### Report of the Auditors to the Members

We have audited the accompanying balance sheet of International SQL Star Pte. Ltd. for the year ended 31st December, 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :

1. The accompanying financial statements are :
  - a) in compliance with the requirements of the Singapore Financial Reporting Standards and give a true and fair view of the matters required by Section 201 of the Companies Act, Cap 50 (the Act) to be dealt with in the financial statements; and
  - b) in accordance with the Act so as to give a true and fair view of the state of affairs of the company as at 31st December 2003 and of the results, changes in equity and cash flows of the company for the financial year ended on that date;
2. The accounting and other records (excluding registers) required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

**P G WEE & PARTNERS**  
**Certified Public Accountants**

Singapore, 13th January 2004



INTERNATIONAL  
International SQL Star Pte. Ltd.

## Balance Sheet as at 31st December, 2003

Amount in Singapore Dollar			
	Note	2003 S\$	2002 S\$
<b>ASSETS</b>			
<i>Non-current assets</i>			
Fixed Assets	3	6,132	1,063
<i>Current assets</i>			
Trade debtors	4	272,631	160,450
Deposits		3,500	3,600
Amount due by holding company	5	—	71,627
Cash and bank balances		65,091	72,700
		<u>341,222</u>	<u>308,377</u>
<b>Total Assets</b>		<u><u>347,354</u></u>	<u><u>309,440</u></u>
<b>EQUITY AND LIABILITIES</b>			
<i>Capital and reserves</i>			
Share Capital	6	400,000	400,000
<i>Less:</i>			
(Accumulated losses)		(109,251)	(121,781)
		<u>290,749</u>	<u>278,219</u>
<i>Current liabilities</i>			
Accruals		49,543	31,221
Amount due to holding company	5	7,062	—
		<u>56,605</u>	<u>31,221</u>
<b>Total equity and liabilities</b>		<u><u>347,354</u></u>	<u><u>309,440</u></u>

See accompanying notes to the accounts.

## Profit and Loss Account for the year ended 31st December, 2003

	Note	2003 S\$	2002 S\$
<b>Revenue</b>	7	1,079,047	730,685
<i>Less:</i>			
Distribution costs		(918,641)	(594,250)
Administrative expenses	8	(147,876)	(133,904)
<b>Profit for the year from operations</b>		<u><u>12,530</u></u>	<u><u>2,531</u></u>

See accompanying notes to the accounts.



## Statement of Changes in Equity for the year ended 31st December, 2003

Amount in Singapore Dollar

	Note	2003 S\$	2002 S\$
<b>Share Capital</b>			
Balance at beginning and end of year	6	400,000	400,000
<b>Accumulated losses</b>			
Balance at beginning of year		(121,781)	(124,312)
Less:			
<b>Profit for the year</b>		12,530	2,531
		(109,251)	(121,781)
<b>Total equity</b>		290,749	278,219

See accompanying notes to the accounts.

## Detailed Profit and Loss Account

	2003 S\$	2002 S\$
Consulting Services	358,394	31,972
Education Services	398,023	251,003
Hewlett Packard project	322,630	447,710
	1,079,047	730,685
Less:		
Selling and administrative expenses	(1,066,517)	(728,154)
Operating profit for the year	12,530	2,531

## Cash Flow Statement

	Note	2003 S\$	2002 S\$
<b>Cash flows from operating activities</b>			
Profit for the year		12,530	2,531
Adjustment for :			
Depreciation of fixed assets		3,624	4,340
Operating profit before working capital changes		16,154	6,871
Increase in trade and other receivables		(40,454)	(121,200)
Increase in trade and other payables		25,384	12,999
Cash generated from/(used in) operations		1,084	(101,330)
<b>Cash flows from investing activity</b>			
Purchase of fixed assets		(8,693)	(1,010)
Net cash used in investing activity		(8,693)	(1,010)
Net decrease in cash and cash equivalents		(7,609)	(102,340)
Cash and cash equivalents at beginning of year		72,700	175,040
Cash and cash equivalents at end of year	10	65,091	72,700

See accompanying notes to the accounts





INTERNATIONAL  
International SQL Star Pte. Ltd.

# Notes to the Accounts

These notes form an integral part of and should be read in conjunction with the accompanying accounts.

## 1. Significant accounting policies

### Basis of accounting

The accounts of the company been prepared in accordance with the provisions of the Companies Act, Cap 50 and are in compliance with the Singapore Financial Reporting Standards.

The accounts expressed in Singapore dollars are prepared in accordance with the historical cost convention.

The accounting policies have been consistently applied by the Company and are consistent with those used in previous year.

### Depreciation

Depreciation is calculated on the straight line method to write off the cost of the assets over their estimated useful lives. The estimated useful lives have been taken as follows :

Furniture, fixtures & fittings	-	5 years
Office equipment	-	3 to 5 years

Fully depreciated assets are retained in the accounts until they are no longer in use.

### Impairment

The carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognized in the profit and loss accounts.

### Trade Receivables

Trade receivables which generally have 30-90 days terms, are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

### Share Capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

### Trade and other payables

Liabilities for trade and other amounts payable which are normally settled on 30-90 days terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

### Provisions

A provision is recognised when there is a present obligation (legal and constructive) as a result of the past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the correct best estimate.

### Revenue recognition

Revenue from rendering of services that are of short duration is recognised when the services are completed.

### Related party

A related party is defined as one that directly or indirectly, through one or more intermediaries, is under common control with the company.

### Income tax

The tax expense is determined on the basis of tax effect accounting, using liability method, and is applied to all significant timing differences.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from depreciation on equipment and tax losses carried forward. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

In accounting for timing differences, deferred tax assets are not accounted for unless there is reasonable expectation of their realisation.

### Retirement benefit cost

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. Contributions made to government managed retirement benefit plan such as the Central Provident Fund which specifies the employer's obligations are dealt with as defined contribution retirement benefit plans.

### Cash and cash equivalents

Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investment readily convertible to known amount of cash and subject to insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts.

### Credit risk

The credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the directors based on prior experience and the current economic environment. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

### Fair value of financial instruments

The carrying amount of financial assets and liabilities recorded in the accounts represents their respective net fair values.

**2. Corporate information** International SQL Star Pte. Ltd. is domiciled and incorporated in Singapore. The company's registered office and principal place of business is located at 80 Raffles Place # 25-01 UOB Plaza 1 Singapore 048 624.

The accounts were approved and authorised for issue to the shareholders by the board of directors on 13th January, 2004

The principal activities of the company are those of the provision of information technology services, including application software and consultancy services.

3. Fixed assets	Furniture fixtures & fittings	Office equipment	Total
	S\$	S\$	S\$
<b>Cost</b>			
At 1.1.2003	6,073	43,786	49,859
Additions	—	8,693	8,693
At 31.12.2003	6,073	52,479	58,552
<b>Depreciation</b>			
At 1.1.2003	6,073	42,723	48,796
Depreciation for the year	—	3,624	3,624
At 31.12.2003	6,073	46,347	52,420
Depreciation for 2002	0	4,340	4,340
<b>Net book value</b>			
At 31.12.2003	—	6,132	6,132
At 31.12.2002	—	1,063	1,063

4. Trade debtors	2003	2002
	S\$	S\$
Related company	17,770	35,540
Others	254,861	124,910
	272,631	160,450

**5. Amount due by/to holding company** The company is a wholly-owned subsidiary of SQL Star International Ltd., a company incorporated in India. SQL Star International Ltd is also the ultimate holding company.  
The amount due represents current account which is unsecured, non-interest bearing and carries no fixed terms of repayment.

6. Share capital	2003	2002
	S\$	S\$
<i>Authorised :</i>		
400,000 ordinary shares of S\$1 each	400,000	400,000
<i>Issued and fully paid :</i>		
400,000 ordinary shares of S\$1 each	400,000	400,000

**7. Revenue** Revenue represents invoiced information technology services including application software and consultancy services to external customers and a related company.

8. Administrative expenses	2003	2002
	S\$	S\$
Auditors' remuneration	2,500	2,500
Depreciation of fixed assets	3,624	4,340
Rental-Equipment	500	—
Rental-office	42,900	43,200
Others	98,352	83,864
	147,876	133,904

9. Staff costs	2003	2002
	S\$	S\$
Contributions to defined contribution plan (CPF)	19,258	9,351
Salaries and bonus	725,204	446,543
Staff welfare	1,362	608
	745,824	456,502
Number of employees at end of financial year (excluding directors)	22	12

**10. Cash and cash equivalents** This represents cash and bank balances.

11. Income Tax	2003	2002
	S\$	S\$
The company has tax loss carry forwards available for offsetting against future taxable income as follows:-		
Amount at beginning of year	123,083	129,153
Less:		
Amount utilised in current year	(7,224)	(6,070)
	115,858	123,083
Tax savings on above utilised	1,589	1,335
Deferred tax benefit on above unrecorded	25,489	27,078
The realisation of the future income tax benefits from tax loss carry forwards is available for an unlimited future period subject to compliance with certain provisions in the Singapore Income Tax Act and agreement by the Comptroller of Income Tax.		

12. Related party transactions	2003	2002
	S\$	S\$
Holding company		
Service & contract charges	147,338	137,599
Another subsidiary of the holding company		
Sales	—	35,540
Professional fee paid to a firm in which a director has interest	3,040	3,100

13. Operating lease commitment	2003	2002
	S\$	S\$
At the balance sheet date, the company was committed to making the following payments in respect of rental of premises with term of less than one year :		
Rental which expires :		
Within one year	0	34,200



INTERNATIONAL  
International SQL Star Pte. Ltd.

## Selling, Administrative and Financial Expenses for the year ended 31st December, 2003

	2003	2002
	S\$	S\$
<b>Distribution cost</b>		
Accommodation Expenses	28,405	34,511
Advertising	3,476	2,518
CPF Contribution	13,408	3,774
Entertainment and refreshment	3,966	906
External team consulting	3,300	-
Hardware and software	26,749	-
Marketing expenses	3,389	3,070
Salaries and bonus	688,610	411,872
Service and contract charges	147,338	137,599
	<u>918,641</u>	<u>594,250</u>
<b>Administrative expenses</b>		
Auditors remuneration	2,500	2,500
Bank Charges	750	378
CPF contribution	5,850	5,577
Communication expenses	15,938	13,514
Depreciation of fixed assets	3,624	4,340
General expenses	7,320	6,544
Insurance	1,639	5,067
Legal and professional fees	7,508	7,049
Local purchases	392	422
Loss on foreign exchange	389	—
Medical expenses	475	—
Postage	888	475
Printing and stationery	1,129	971
Rental - Equipment	500	—
Rental - Office	42,900	43,200
Salaries and bonus	36,595	34,671
Staff welfare	1,362	608
Transport and travelling	17,177	7,522
Water and electricity	940	1,066
	<u>147,876</u>	<u>133,904</u>
Total selling and administrative expenses	<u>1,066,517</u>	<u>728,154</u>

This attachment does not form an integral part of the financial statements referred to the Auditor's Report

# SQL Star International Limited, UK

*Annual Report 2003*

## Report of the Directors for the year ended 31 December 2003

The directors present their report with the financial statements of the company for the year ended 31 December 2003.

### PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of computer programmers and consultants.

### DIRECTORS

The directors during the year under review were :

S K Arora

J E Mellor

P P Shenoy - appointed 17.04.03

The directors holding office at 31 December 2003 did not hold any beneficial interest in the issued share capital of the company at 1 January 2003 (or date of appointment if later) or 31 December 2003.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

### ON BEHALF OF THE BOARD

S K Arora – Director

16 March 2004





SQL Star International Ltd., UK

## Profit & Loss Account for the year ended December 31, 2003

	Notes	2003 UKP	2002 UKP
<b>TURNOVER</b>		—	184,287
Cost of sales		—	120,063
<b>GROSS PROFIT</b>		—	64,224
Administrative expense		36,229	178,787
<b>OPERATING LOSS</b>	2	(36,229)	(114,563)
Interest receivable and similar income		—	112
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(36,229)	(114,451)
Tax on loss on ordinary activities	3	—	(3,742)
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>		(36,229)	(110,709)
(Deficit)/Retained profit brought forward		(63,745)	46,964
<b>DEFICIT CARRIED FORWARD</b>		(99,974)	(63,745)



## Balance Sheet as at December 31, 2003

	Notes	2003		2002	
		UKP	UKP	UKP	UKP
<b>FIXED ASSETS</b>					
Investment	4	—		—	34,366
<b>CURRENT ASSETS</b>					
Debtors	5	—		9,160	
Cash at Bank		614		687	
		<u>614</u>		<u>9,847</u>	
<b>CREDITORS:</b>					
Amounts failing due within one year	6	<u>588</u>		<u>7,958</u>	
<b>NET CURRENT ASSETS</b>					
			<u>26</u>	—	<u>1,889</u>
<b>TOTAL ASSETS LESS</b>					
<b>CURRENT LIABILITIES</b>					
			<u>26</u>		<u>36,255</u>
<b>CAPITAL AND RESERVES</b>					
	7				
Called up share capital			100,000		100,000
Profit and loss account			<u>(99,974)</u>		<u>(63,745)</u>
<b>SHAREHOLDERS FUNDS</b>					
			<u>26</u>		<u>36,255</u>

The Company is entitled to exemption from audit under Section 249(A) of the Companies Act 1985 for the year ended 31 December 2003.

The members have not required the Company to obtain an audit of its financial statements for the year ended 31 December 2003 in accordance with Section 249B(2) of the Companies Act, 1985.

The directors acknowledge their responsibilities for :

- ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act, 1985 relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act, 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

**ON BEHALF OF THE BOARD**

S.K. ARORA – Director  
Approved by the Board on 16 March 2004



INTERNATIONAL  
SQL Star International Ltd., UK

## Notes to Financial Statements for the year ended December 31, 2003

### 1. ACCOUNTING POLICIES

#### Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

#### Turnover

Turnover represents net invoiced sales of services, excluding value added tax.

### 2. OPERATING LOSS

The operating loss is stated after charging :

	2003 UKP	2002 UKP
Loss on disposal of fixed assets	32,806	—
Directors' emoluments and other benefits etc	—	—

### 3. TAXATION

#### Analysis of the tax credit

The tax credit on the loss on ordinary activities for the Year was as follows :

Current tax:

UK corporation tax	—	(3,742)
Tax on loss on ordinary activities	—	(3,742)

### 4. FIXED ASSET INVESTMENTS

#### COST:

At 1 January 2003	156,000
Disposals	(156,000)
As 31 December 2003	—

#### PROVISIONS

At 1 January 2003	121,634
(provisions written back)	(121,634)
As 31 December 2003	—

#### NET BOOK VALUE

At 31 December 2003	—
At 31 December 2002	34,366
Unlisted investments	34,366



5. **DEBTORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2003	2002
	UKP	UKP
Trade debtors	—	6,963
Other debtors	—	354
Prepayments	—	1,413
Inter company balance	—	430
	<u>—</u>	<u>9,160</u>

6. **CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

Accrued expenses	<u>588</u>	<u>7,958</u>
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7. **CALLED UP SHARE CAPITAL**

Authorised, allotted, issued and fully paid :

Number	Class	Nominal Value		
100,000	Ordinary	UKP 1	<u>100,000</u>	<u>100,000</u>

## Report of the Accountants to the Directors of SQL Star International Limited, UK

As described on the balance sheet you are responsible for the preparation of the financial statements for the year ended 31 December 2003 set out on pages forty six to forty nine and you consider that the company is exempt from an audit.

In accordance with your instructions, we have compiled these unaudited financial statements in order to assist you to fulfil your statutory responsibilities, from the accounting records and information and explanations supplied to us.

**Hawkins Scott**  
**Chartered Accountants**  
Granite House  
55-61 Frimley High Street  
Frimley  
Surrey  
GU16 7HJ

16 March, 2004





SQL Star International Ltd., UK

## Trading and Profit and Loss Account for the year ended December 31, 2003

	2003		2002	
	UKP	UKP	UKP	UKP
<b>Income:</b>				
Fees	—	—	175,907	—
Other income	—	—	8,380	—
	<u>—</u>	<u>—</u>	<u>184,287</u>	<u>184,287</u>
<b>Cost of sales:</b>				
Consultancy	—	—	—	120,063
	<u>—</u>	<u>—</u>	<u>—</u>	<u>120,063</u>
<b>GROSS PROFIT</b>				64,224
<b>Other income :</b>				
Interest on overpaid CT	—	—	—	112
	<u>—</u>	<u>—</u>	<u>—</u>	<u>112</u>
				<u>64,336</u>
<b>Expenditure:</b>				
Wages	—	—	38,888	—
Social security	—	—	2,422	—
Telephone	—	—	2,029	—
Post, printing & stationary	—	—	60	—
Travel and subsistence	—	—	5,147	—
Flat rent and services	125	—	5,379	—
Computer equipment	1,500	—	—	—
Repairs and maintenance	—	—	449	—
Loss on revaluation	—	—	121,634	—
Sundry expenses	16	—	115	—
Accountancy	588	—	1,500	—
Legal & professional fees	1,125	—	—	—
Bank Charges & interest	69	—	619	—
Entertainment	—	—	545	—
	<u>—</u>	<u>3,423</u>	<u>178,787</u>	<u>178,787</u>
		(3,423)		(114,451)
<b>Loss on disposal of fixed assets:</b>				
Investments	—	32,806	—	—
	<u>—</u>	<u>32,806</u>	<u>—</u>	<u>—</u>
<b>NET LOSS</b>		<u>(36,229)</u>		<u>(114,451)</u>

This page does not form part of the statutory financial statements.





**SQL STAR INTERNATIONAL LIMITED**

Regd. Office : 3rd Floor, Andhra Association Building,  
24-25, Institutional Area, Lodhi Road, New Delhi-110 003.

**PROXY FORM**

I/We \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_  
\_\_\_\_\_ being a member(s) of **SQL STAR INTERNATIONAL LIMITED** hereby appoint  
\_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_  
\_\_\_\_\_ failing him/her \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_  
\_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the Seventeenth Annual General Meeting of the  
Company to be held at Santosh Mohan Dev Auditorium, Bipin Chandra Pal Memorial Bhawan, A-81, Chittaranjan Park, New Delhi – 110 019  
on Thursday, the 27<sup>th</sup> of May 2004 at 10.30 a.m. and at any adjournment thereof.

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2004.

No. of shares held \_\_\_\_\_ Folio No. \_\_\_\_\_

D P – ID \_\_\_\_\_ Beneficiary Owner ID \_\_\_\_\_

Affix  
Rs.1.00  
Revenue  
Stamp

Name of the Shareholder \_\_\_\_\_ Signed by the said \_\_\_\_\_

Important Note: The proxy form must be deposited at the Registered Office/Corporate Office at A – 38 B, Kailash Colony,  
New Delhi – 110 048 of the Company not later than 48 hours before the time for holding of the aforesaid meeting.

**SQL STAR INTERNATIONAL LIMITED**

Regd. Office : 3rd Floor, Andhra Association Building,  
24-25, Institutional Area, Lodhi Road, New Delhi-110 003.

**ATTENDANCE SLIP**

(Please complete this Attendance Slip and hand it over at the entrance of the Meeting Hall)

I hereby record my presence at the Seventeenth Annual General Meeting of the Company to be held at Santosh Mohan Dev Auditorium, Bipin  
Chandra Pal Memorial Bhawan, A-81, Chittaranjan Park, New Delhi – 110 019 on Thursday, the 27<sup>th</sup> of May 2004 at 10.30 a.m. and at any  
adjournment thereof.

Name of the Shareholder(s) \_\_\_\_\_ No. of Shares held \_\_\_\_\_  
(in Block letters)

Folio No. \_\_\_\_\_ D P – I D \_\_\_\_\_ Beneficiary Owner ID \_\_\_\_\_

Signature of the Shareholder/Proxy